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NEWS SUMMARY

GENERAL

Front given 48 hours to decide

The Government has given the Patriotic Front 48 hours to accept the British plan for an interim administration in Rhodesia or face the breakdown of the Lancaster House talks.

Foreign Secretary Lord Carrington, conference chairman, has demanded an answer to Britain's proposal "within the next day or two."

In an attempt to pressure the Front, British officials are again raising the possibility of a bilateral deal between Britain and Bishop Abel Muzorewa. Back Page; Parliament Page 12

Fighting fund

Britain's largest civil service union, the Civil and Public Services Association, is to ballot its members on whether to inject £1m into the union's fighting fund to support action against the Government's expenditure cuts. Back Page

Army probe

The British army in Northern Ireland has said it plans to hold an investigation into newspaper reports that the IRA has been setting up regular road blocks in border areas close to the Republican stronghold of Crossmaglen.

Kidnap claim

Basque guerrillas said they have kidnapped leading Spanish parliamentary deputy Javier Ruperez who went missing in Madrid yesterday. Sources in Bilbao said the Basque Separatist organisation ETA made the claim in a communique to Basque news organisations.

Carl sentences

James Robinson, 45, and Vincent Hickey, 25, convicted of murdering 13-year-old newsboy Carl Bridgewater, have been sentenced at Stafford Crown Court to life imprisonment. Michael Hickey, 17, also found guilty of the murder, is to be detained during Her Majesty's pleasure and Patrick Molloy, 51, has been sentenced to 12 years for manslaughter.

Fire halted

Firefighters in the town of Mississauga near Toronto contained a blaze that had threatened to spark a poison blast and forced the evacuation of nearly a ¼m people. Page 4

'Forces out' call

United Nations members from four continents backed a call for the immediate withdrawal of all foreign forces from Kampuchea at the start of a General Assembly debate on Cambodia. Page 4

BBC strike

BBC television programmes were affected after engineers staged a one-day unofficial strike over a grading pay claim.

UFO report

A Spanish airliner carrying 119 passengers made an unscheduled overnight stop in Valencia after the pilot reported he was being pursued by an unidentified flying object shortly after taking off from Majorca.

Briefly . . .

Verdict in the trial of former Slater Walker director Richard Tarling in Singapore has been postponed until next Tuesday.

Three workers were killed in a chemical factory explosion in Sicily.

About 30 people died when a bus crashed into the River Vegu in India.

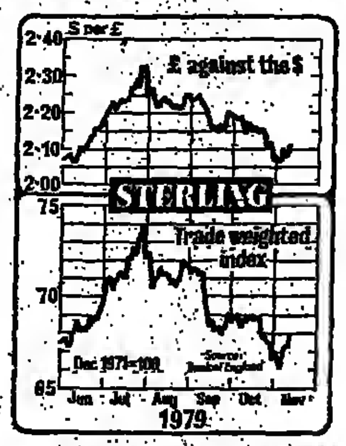
BUSINESS

Gilts and equities fall; £ firmer

● EQUITIES weakened, unable to extend Friday's technical recovery and overshadowed by the general short-term gloom. The FT 30-Share Index lost 7.9 to close at 413.8.

● GILTS fell for the eighth successive session on interest rate anxieties following the rise in bank base-rates, although losses were pared in late trading. The Government Securities Index shed 0.15 to 65.33.

● STERLING was firmer due to market resignation over an imminent rise in MLR and the probability of higher oil prices after next month's OPEC meeting. The pound closed at $2.1105 ($2.0920) and its trade-weighted index touched a three-week high of 68.0 (67.3).



● DOLLAR rose to DM1.7980 (DM1.7945) and SwFr 1.6655 (SwFr 1.6530). Its index rose to 87.2 (87.3).

● GOLD rose $3 to $392.50 in London.

● WALL STREET was up 7.51 at 813.99 shortly before the close.

● THE GOVERNMENT has given an assurance that it will not stand in the way of the sale to the private sector of British Steel Corporation's Shotton and Corby works. Back Page

● BL WORKERS will have to accept relatively low pay rises and agree to improve productivity before the Government agrees to release the £425m of State funds the corporation is seeking.

● EXPRESS NEWSPAPERS has dropped plans to introduce computer typesetting or photo-composition. Page 10

LABOUR

● MINERS' LEADERS expect the National Coal Board to improve on its offer of rises between 11 and 15 per cent today, and are unlikely to accept much less than 20 per cent. Page 12

● THE DECISION by Findus to build a £20m food plant near Newcastle could provide an extra 1,000 new jobs. Page 11

● VAUXHALL MOTORS almost secured complete acceptance by its 26,000 manual workers of its 17 per cent pay offer, when Merseyside men voted to end their 10-week strike. Page 12

COMPANIES

● FRIONOR, the Norwegian frozen food company, reports a 13.4 per cent rise in turnover to NKr 1.1bn (£106m) for the year to June 30. Page 26

● NORWEST HOLST profits before tax in the six months to September 30 rose to £2.42m (£2.17m) and shares put on 9p despite extraordinary losses of £4.3m. Page 20

STOCK MARKETS

● THE FT WORLD STOCK markets page acquires a new look today. Several indices have been changed and stock price lists have been revised. The space devoted to Japanese shares in particular has been increased. World stock markets Page 30. Int. company news Page 26 and 27

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

AB Electronic	152	+ 7
Herman Smith	14	+ 4
Norwest Holst	100	+ 9
Seccombe Marshall	200	+ 20
Stocklake	104	+ 4
Trade Indemnity	175	+ 35
LASMO	336	+ 18
Ashton Mining	88	+ 4
C. Pacific Minerals	£13¼	+ ¼
Con. Gld. Fld. Aust.	340	+ 10
Grootvlei	259	+ 15
Leslie	86	+ 5
Marievale	138	+ 14
Southern Pacific	520	+ 55

FALLS

BAT Inds.	248	− 5
Bassett (G.)	84	− 6
Beales (J.)	36	− 4
Beecham	123	− 4
Bowater	152	− 5
British Car Auction	49	− 4
British Land	54	− 4
Gieves	85	− 4
GUS A	340	− 6
GKN	238	− 5
ICI	325	− 5
King and Shaxson	56	− 4
Ladbroke	153	− 9
Land Secs.	249	− 10
Matthews (B.)	249	− 11
Lucas Inds.	202	− 5
MEPC	141	− 6
NatWest Bank	314	− 6
Smith (W. H.) A	135	− 7
Stylo Shoes	165	− 10
Wigfall (H.)	207	− 23
Wolseley Hughes	244	− 18
Cons. Gold Fields	314	− 8
CRA	184	− 8
Thiess	375	− 10
Western Mining	172	− 8

Howe gloomy about chances of large tax cuts next year

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Sir Geoffrey Howe, the Chancellor, yesterday warned against expecting big income tax cuts in next year's Budget and stressed that bringing the money supply under control would have priority.

He told a conference of businessmen in London that patience would be needed in the quest for a lower tax burden. "Even that important task cannot, and will not, be allowed to blunt our determination to keep borrowing down and the money supply under control."

Sir Geoffrey said he hoped to make further cuts in the basic rate of income tax in the years ahead but highlighted the large revenue costs of such cuts. While avoiding any specific commitments for next year, he said that "no Chancellor at this time could encourage over-generous expectations."

He pointedly noted that "with every day that passes" he realised "more clearly the appalling constraints imposed upon the British economy by a combination of low growth and in-built public expenditure."

Sir Geoffrey's speech represents a further stage in the Government's attempt to lower expectations in view of economic problems which are even more intractable than expected.

His comments also highlight the Government's limited room for fiscal manoeuvre and in particular the potential conflict between ministers' desire to reduce public sector borrowing in 1980-81 and the upward pressure on borrowing as a result of the recession.

Sir Geoffrey made no reference, however, to the present financial crisis of confidence. It is now almost taken for granted both in the City and Whitehall that there will be a statement on Thursday, probably combining a rise in Minimum Lending Rate from 14 per cent to at least 15½ or 16 per cent, an announcement about the monetary target for the next 12 months, and the future of the corset controls on the banks.

Yesterday, officials were attempting to assess how wide-ranging the statement would have to be to enable the Government to regain the initiative in financial markets, and particularly to enable it to sell gilt-edged stock again on a large scale.

The Government is considering whether to include on Thursday a commitment in principle to the introduction of a medium-term financial plan. This would set out monetary targets for some years ahead and it has been widely favoured in the City.

The urgent review within Whitehall includes a re-examination of all the familiar options, including hire purchase controls.

It is also possible that any statement might include references to the liquidity of banks and their foreign exchange positions in the aftermath of the removal of exchange controls.

The only political comfort for the Government yesterday came from the building societies. Mr. Norman Griggs, secretary general of the Building Societies Association, said it was very unlikely that the increase in the mortgage rate in January would be higher than the already-announced ¾ point rise to 12½ per cent.

Wider share ownership call

The Government favours measures to encourage direct private investment in shares, Sir Geoffrey Howe said yesterday. "We want individuals to invest directly in shares—shares of big quoted companies and shares of small new enterprises and in particular the shares of the companies in which they work and on which their livelihood depends . . . We must use every sensible means, including fiscal changes, to remove any undue bias against investment," the Chancellor declared.

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Money Markets Page 29
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Industrial production falls sharply

BY PETER RIDDELL

INDUSTRIAL OUTPUT has fallen sharply since the early summer, largely because of the engineering dispute and other strikes.

Central Statistical Office figures yesterday show that industrial output from July to September was about 2½ per cent lower than in the previous three months. This can almost entirely be explained by the various strikes.

Output was particularly badly hit in September, when the all-industries index was 110 (1975=100, seasonally adjusted) compared with an average of 115.3 in the previous three months. Manufacturing production was even worse affected with a 7 per cent fall on a similar three-month comparison.

After adjusting for these disputes, the underlying level of industrial activity seems to have been fairly flat since the April-June period. Output was relatively high then following the sharp recovery from the depressed level of production in the winter.

There is a general expectation that output will pick up to some extent in the current quarter, after the end of the engineering dispute.

The Confederation of British Industry's most recent forecasts imply slightly higher levels of manufacturing production now than in the late summer.

Most opinion surveys point to a weakening of demand and activity in the first half of next year.

The detailed figures show that North Sea oil and gas accounted for a large part of what growth there has been.

If the depressed July-to-September level of production is compared with the same period a year earlier, output of non-North Sea industries fell by 1½ per cent, while gas and oil production rose by 50 per cent.

One bright feature of the latest figures was a 5 per cent rise in coal output in the July-to-September period compared with the previous three months, partly reflecting higher productivity.

Otherwise, engineering output

Continued on Back Page

BP offer 50% oversubscribed

BY CHRISTINE MOIR

THE GOVERNMENT offer for sale of 80m British Petroleum shares has been 50 per cent oversubscribed, but the news of the allocation terms created no scramble in the stock market.

Small investors—those applying for 1,100 shares or less—will get all they applied for; applicants for up to 2,400 shares will get 1,115; larger applications will be scaled down to 45 per cent of the shares asked for.

BP employees applied for 2.17m shares, and as promised these applications were honoured in full. A further 1.97m were allocated to the company's employee share scheme. Together these two tranches mopped up 5.17 per cent of shares on offer.

The Bank of England announced the terms of the allocations at 9 am. By then the jobbers were already at their pitches in the stock market, having been given a extra half hour's grace to prepare for a possible rush of dealings at 9.30.

In the event dealings were slight. The "stags," those planning to buy shares in the expectation of being able to sell them at a profit almost immediately, had apparently shied away from the issue because of the weakness of BP's share price over the last year.

The new partly paid shares opened at 156p, against a cost of 150p, but soon dropped to 150p before finally settling at 154p. The Ordinary shares also lost further ground, falling 6p to 358p.

The Stock Exchange had arranged for oil jobbers to keep their pitches open until 5 pm, an hour-and-a-half after normal closing. But by 2 pm it had assessed the demand and cancelled the late closing.

Dealers openly said that the market had been "disappointing" in their terms, though they admitted that absence of a dealing scramble must have pleased the Bank.

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For latest Share Index phone 01-246 8026

Thatcher hints rise in interest rates near

By Richard Evans, Lobby Editor

THE "unpleasant and even painful remedies" that the Government will have to introduce to defeat inflation were confirmed by the Prime Minister last night in a speech at the Lord Mayor's banquet in London.

In particular, Mrs. Margaret Thatcher said the recent bank lending figures were a serious disappointment and the Government would take "whatever action is necessary to contain the growth of the money supply."

The clear implication was that the interest rates are likely to rise soon.

The Prime Minister's message was that this Government would face economic realities and would not be deflected from reducing inflation by essentially monetarist policies.

She argued it was still difficult to put across the message that the only cash the Government had came from taxation and from borrowing. "Pennies don't fall from heaven they have to be earned here on earth," she declared.

The Government had embarked on a long-term programme aimed at reducing the share the State took from the country's national resources.

She was not wholly pessimistic on the prospects for further cuts in taxation. "Already we have made major tax changes and we shall return to this theme in future budgets."

The Government faced many hard decisions. "Sometimes we have to prescribe unpleasant and even painful remedies but that is because we really care about curing the disease that has afflicted Britain."

The underlying theme of her speech was that responsibility for prosperity lay on individuals, not just the Government.

With the Dublin European Economic Community summit looming closer, the Prime Minister stressed that Britain could continue no longer as Europe's "most bountiful benefactor." She said that the very survival of the Community depended on equitable solutions.

Once again she had strong words for the Soviet Union for compelling NATO to increase its defence spending. She stressed that NATO must not fall further behind and decisions needed very soon would be hard for democracies to take.

On Rhodesia, Mrs. Thatcher emphasised that days of decision lay just ahead. She warned Mr. James Callaghan and the Labour Party that "a terrible burden would rest on any party which unreasonably withheld its agreement and thus denied peace to Rhodesia

Carter bans Iranian oil imports

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

PRESIDENT JIMMY CARTER announced yesterday that he was banning direct importation of Iranian oil because of the holding of American hostages at the U.S. Embassy in Tehran.

Appearing in a White House Press room to disclose his move, a grim-faced Mr. Carter made it clear that the U.S. had no intention of bowing to economic pressure from Iran to secure release of the 60 or so American diplomats held hostage following the storming of the mission in Tehran two weeks ago.

The President said: "We continue to face a grave situation."

He called demands for release of the deposed Shah to the Iranian Government "unacceptable." He would "refuse to permit the use of terrorism to impose political demands.

"No-one should underestimate the resolve of the American Government and the American people to resist demands of the Iranians," he added.

Iran supplied the U.S. with about 700,000 barrels of oil a day, just under 10 per cent of total oil imports, and between 4 and 5 per cent of total consumption.

Mr. Carter did not state whether the U.S. would make up the shortfall by additional purchases from elsewhere, either through other countries or on the volatile spot market.

He did, however, issue a strong plea for Americans to assume some of the burden by using less oil, and said he was instructing Mr. Charles Duncan, his Energy Secretary, to confer with Congress on additional conservation measures.

Mr. Carter added that the U.S. would shortly confer with other major oil-consuming countries on the whole issue. U.S. conservation, he said, must be part of an "effective international effort" to deal with the problem.

He said that "the lives of our people in Iran are at stake."

He thanked the American people for having shown restraint so far in their reaction to the Iranian crisis, and urged a continuation of this while "every available channel" was explored to resolve the impasse.

At no stage in his remarks did he mention Ayatollah Khomeini, Iran's leader, by name, and White House officials were at pains to emphasise that his approach was not designed to offend the revolutionary régime in Iran.

At a special briefing after the President had spoken, Mr. Cyrus Vance, the Secretary of State, revealed that Iran had been informed of the U.S. action only 15 minutes before it was made public, and described the President's order as "an act of self-discipline on our part."

He said that no arrangements had been made in advance for additional purchases of crude oil from other producing countries, and added that the impact of Mr. Carter's order on domestic oil prices depended on the effectiveness of U.S. domestic conservation.

Mr. Duncan said that in the event of supply problems, standby allocation laws were already on the books to alleviate any regional hardship. The Administration is clearly relieved that it has virtually reached its target of building up stockpiles of home-heating oil to the desired 249m barrels-a-day level before the winter.

Andrew Whitley writes: A fresh offensive by rebel Kurds and a violent demonstration by unemployed workers in the capital last night had Iran's Moslem rulers on the defensive on two vulnerable fronts.

The new developments temporarily overshadowed the drama being played out at the U.S. Embassy, where young Moslem militants received fresh backing from the Ayatollah in their refusal to free their hostages until the deposed Shah is returned to Iran for trial.

The official Pars news agency reported that a widespread offensive by Kurdish irregular fighters was continuing for the second day. Two important cities, Sanandaj and Saqqez, are among places under attack.

In the capital hundreds of unemployed workers, many of them secondary school-leavers, stormed the Ministry of Labour chanting "We want work" and "America and reaction are the source of our unemployment."

On conservative estimates some 2¼m Iranians are out of work.

Foreign envoys from many of the 75 countries represented in Tehran, assembled at the Foreign Ministry to hear Mr. Abol Hassan Bani-Sadr, supervisor of external affairs, ask them to put pressure on the U.S. for extradition of the Shah.

Saudi Arabia may soon bring its crude oil prices more into line with other producers. It is felt in the industry that the kingdom is becoming disillusioned with the results of its moderate oil pricing policy. Back Page.

Radical at Iran Foreign Ministry, Page 4

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Swiss change of heart on reserve role for franc

BY DAVID MARSH IN BASLE

THE Swiss National Bank has receotly taken a significant step towards boosting the reserve currency role of the Swiss franc. The move highlights a growing need for the world's monetary authorities to offer facilities for increasingly wealthy central banks from developing countries to diversify their official reserves out of dollars into other major currencies.

No co-ordinated action, other than the International Mooetary Fund's scheme for a substitution account, is presently being planned. But the problem is very much on the minds of central bank governors gathered here for their monthly meeting under the ouspices of the Bank for International Settlements.

Dr. Fritz Leuitwiler, the Swiss national bank president, said last week that the possibility was being studied for foreign central banks to hold Swiss franc deposits and money market paper at the national bank. Already, in a little publicised transaction in September, the bank allowed 35 central banks and Government institutions to buy SwFr 200m of four-year notes issued by the World Bank.

The moves mark an about-face in Switzerland's traditional reluctance to acquire a reserve currency role. The reason is that the Swiss authorities would rather themselves monitor a controlled internationalisation of the franc than see it taking place anyway in a haphazard, unsupervised fashion on the Euromarkets.

About $150bn of official foreign exchange holdings are held on the Euro-market. The overwhelming majority of these holdings belongs to developing countries and lesser industrialised states, whose total currency reserves now amount to about $250bn. Many of these balaoces are held in non-dollar currencies, the proportion of which has risen rapidly in recent years in line with central banks' desire to diversify.

Morgan Guaranty Trust, the big U.S. bank, recommended last month that central banks from the industrialised nations should provide diversification instruments denominated in their own currencies to divert such funds from the Euro-market. An orderly move to channel diversification into the desired currencies "could be the most effective way of curtailing the growth of the Euromarkets," it said.

At the moment, there seems little sign that major central banks are willing to change what Morgan Guaranty calls their "negative attitude towards reserve currency responsibilities."

The U.S. is willing to see some weakening in the role of the dolar, which accounts for about 80 per cent of world foreign exchange reserves. But the other major countries are afraid that too big a build-up of foreign holdings of their currencies could be a potential sonrce of exchange rate pressure.

Dr. Helmut Schlesinger, the Bundesbank's chief economist, stated last week that the "development of the Deutschemark as a reserve currency must be dampened."

Despite the abolition of restrictions on foreign countries borrowing sterling, the Bank of England is trying to restrict sterling's role as a reserve currency to the limits set in 1976.

The Bank of Japan has a similar attitude. But if the Swiss succeed in channelling official demand for Swiss francs into long-term and stable investments, the example could catch on. Central bankers' attitudes sometimes can be remarkably flexible.

John Wicks writes from Zurich: Forecasts for the development of the Swiss economy next year have heen adjusted downward by the Institute of Economic Research at Zurich's Federal Polytechnic. The Institute has altered from 1.4 per cent to only 0.5 per cent its estimate of gross domestic product growth next year. This is about the same as its 1979 forecast.

The latest report assumes a deceleration of world economic growth in 1980, with sharper monetary controls abroad

Searchers call off Norwegian ship hunt

By Fay Gjester in Oslo

THE Norwegian authorities *yesterday morning* called off the air and sea hunt for survivors of the oil/ore carrier Berge Vanga, which disappeared in the south Atlantic two weeks ago. The 224,000 tonne dwt Norwegian ship was officially declared lost on Friday, after wreckage found in the area indicated that there had been an explosion on board.

It has been learned, meanwhile, that a small explosion occurred two month ago on a sister-ship, the Berge Brioni. The accident occurred at sea between Japan and Singapore while a welder was repairing a leak in an oil line in the ship's double hull. The incident was not reported to the Norwegian authorities because it was regarded as minor. No one was hurt and no damage was done.

The Berge Brioni arrived with an oil cargo at Rotterdam on Saturday evening. Like the Berge Vanga's other sister ship, Berge Adria, it is to be converted to carry only dry cargo — a decision the owners took after the Berge Vanga's loss. Four years ago, the other vessel in the series, the Berge Istra, was lost through an explosion in the western Pacific. Like the Berge Vanga, it was carrying iron ore from Brazil to Japan.

The loss of the ship has again focussed attention on the risks of combined carrier operation, and the Norwegian Shipping Directorate investigating whether safety rules on these ships needs further revision.

Its report is due by December 1. Meanwhile the Directorate has banned welding and work with open flames on all areas of combined carriers where there may be a risk of explosion.

The decision to end the search for the Berge Vanga was taken by staff at Norway's main rescue centre in Sola, near Stavanger, which has been co-ordinating the operation.

N-power vital to pulp industry, Swedes told

BY OUR STOCKHOLM CORRESPONDENT

SOME 20 per cent of the Swedish pulp and paper industry could be put out of business during the 1980s, if the Swedish people vote against nuclear power in a national referendum next March. The industry's net export earnings, expected to reach SKr15bn (£1.7bn) this year, would be over a third lower by 1990.

These conclusions are from a study made by the INDEVO consulting company on behalf of the Swedish pulp and paper association (SPPA). It assumes that the price of electricity would rise by half to cover the cost of generating alternative electricity in coal-fired power stations.

An increase of this size would threaten the jobs of about 10,000 people directly employed in the mills and a further 13,700 whose work is indirectly linked to the industry, the study estimates. Some 17 per cent of newsprint and magazine production would become unprofitable, while as much as 65 per cent of mechanically produced pulp would have to be abandoned.

If the increase in the electricity price could be held to 25 per cent, the reduction in total output of pulp and paper would be 10-12 per cent with a potential loss of some 16,000 jobs, according to the study.

A vote against nuclear power would have even more serious consequences than those outlined in the INDEVO study, comments Mr. Bo Wergens, managing director of SPPA. With a 50 per cent increase in the electricity price, the profitability of about half the mills would be so severely curbed that they would be unable to generate new investment capital. The result would be stagnation.

SPPA contrasts this sombre picture of the effect of a vote against nuclear power with its recent calculation that, if it could obtain more energy at a reasonable price, Swedish paper output could be raised from its current 6m tons a year to between 9m tons and 9.5m tons a year in the beginning of the 1990s.

Meanwhile, Sydkraft, the southern Swedish power company, yesterday sought government approval for a SKr 3.2bn investment in two new coal-fired plants to supply electricity in the second half of the 1980s. The plants would be needed, whatever the outcome of the nuclear referendum, if Sweden's heavy dependence on imported oil were to be reduced, the company said.

ICELAND HEADS FOR GENERAL ELECTION

Tough decisions needed to combat inflation

BY WILLIAM DULLFORCE, RECENTLY IN REYKJAVIK

THE Icelanders are a hardy race. They have resisted the storms of the North Atlantic and the rigours of life on tbeir barren, volcanic island for over a thousand years. But their morale is now being sapped by a modern disease—inflation. The only cure may be a generation shift among their political leaders, for one of inflation's more insidious effects is that it creates addiction and resignation among those who have had to deal with it longest.

In the capital, Reykjavik, people's frustration after a six-year bout of recurrent price rises permeates tbe social atmosphere. Five yeors ago Icelanders would cheerfully explain how at the personal level inflation could be beaten by taking two jobs and by borrowing at a negative rate of interest.

Today the young are rapidly losing all faith in the money economy, the old grieve at the collapse of their values, while even the bold who improved their material well-being by amassing swiftly-depreciated debt are heartily sick of the system.

It is in this climate that Iceland's politicians are lining up for a new general election on December 2 and 3. The poll has been brought about by the collapse of the left-wing coalition formed by the Progressive Party leader, Mr. Olafur Johannesson, in September 1978. The Progressives, mainly a farmers' *party with* 12 of the 60 Althing (Parliament) seats, had as their partners the left-wing People's Alliance (14 seats) and the Social Democrats (14). The conservative Independents (20) formed the opposition.

Mr. Johannesson promised to bring the rate of inflation down from 50 to 30 per cent in 1979, to balance the budget by the end of the year and to curb foreign borrowing. The Social Democrats pulled out early in October, when it was apparent tbat the budget was heading for a deficit of around IKr 5bn ($14.3m), that consumer prices would rise by about 55 per cent during the year and that borrowing abroad would be even higher than in 1978. Their leader, Mr. Benedikt Gröndal, is now running a caretaker government.

One setback to the coalition's plans *was the rise in oil prices*. Iceland buys most of its petroleum products from the Soviet Union under a five-year trade agreement which fixes prices at the level prevailing on the Rotterdam spot market. Fuel oils are vital for the fishing fleet and to a large extent for house heating. The rise in the Rotterdam prices will double the oil import bill this year and the Russians have declined a request to supply crude oil next year which the Icelanders could have refined on their own account in Western Europe.

Ludvik Josefsson, leader of Iceland's left-wing People's Alliance: questinn mark over future role.

But the oil problem does not account for tbe government's failure to meet its targets. It will help to enlarge the current account deficit to some $14m this year, but the fish catch has been big, exceeding the limits set by the marine biologists, and export prices for the fish have been good. Aluminium prices have improved and the country's smelter has been working to capacity. A new ferro-silicon plant came into production in June.

The trade picture is thus buoyant even after the oil price increases, and the economy will see a modest but comfortable growth in GNP of 2.5 per cent in 1979. The effect of the oil price increases on the fishing industry has been attenuated hy a gradual depreciation in the value of the krona against the dollar since the last devalnation in September 1978.

The trouble is that to protect themselves against inflation the Icelanders have erected a veritable cat's cradle of indexation. Its two major strands are a link between wages and the consumer price index and a further link to farm prices. This cat's cradle could be cut through only by a totalitarian approach impossible in Iceland, while unravelling it calls for political determination and finesse of a very high order.

The Johannesson Government aimed at holding the increase in wages to 5 per cent a quarter during 1979. It quickly dropped that target after the People's Alliance, wbich is strong in the *unions, insisted on obtaining* adequate compensation for price increases.

Instead, the Cabinet agreed on a short-sighted amendment to the wage-price index system hy which the full wage compensation payable after a three-month increase would be adjusted to the change in the terms of trade over the same period.

For example, between September 1 and December 1 this year prices are expected to increase by 13 per eent. Bnt tha National Economic Institute estimates that the terms of trada will have deteriorated by 2 per cent. So on December 1 wage-earners will get only an 11 per cent increase in pay. One shndders to think what will happen to Iceland's inflation shonld its terms of trade improve.

To beat *inflation* the *next* government must cut real incomes. But it must get the right policy-mix to make the cut and the reduction in wage-price indexation palatable. Negotiations on a new national pay agreement are due to start and the Employers' Federation has already indicated that it wants tripartite *talks with* the nnions and government to evolve an incomes policy. The position is complicated by the Icelanders' commitment to maintaining full employment.

Logically the new government will have to offer the lower paid some form of compensation for the loss of indexation. The cost of this compensation could be met by raising taxes for other categories and by cutting public investment. The tax increases *would* bave to be excluded from the price index.

The budget must be balanced, so that the central bank can stop printing money to finance the Treasory, and foreign borrowing must finally be curbed. The banks could finance a greater share of public borrowing. Automatic increases in farm prices should be dropped.

The medicine will have to be bitter and will need to be administered by a strong government. The Independents and Social Democrats are closest to agreeing on the mixture, and immediately after the collapse of the Johannesson Government it seemed that the Independents were likely to make enough gains to facilittate such a coalition.

Since then their election prospects appear to have weakened. In Reykjavik, where they need to recover seats lost in 1978, they are presenting o list of old, familiar faces wbose appeal to voters may be wearing thin. Tbeir leader, Mr. Geir Hallgrimsson, who was Prime Minister from 1974 to 1978, is highly respected but lacks the popular touch.

The other parties have problems with their leaders. The Social Democrats can scarcely expect to hold the gains they made in 1978, wben a group of young candidates took the voters by storm with new-broom promises. The Young Turks are not happy about Mr. Gröndal's leadership.

Mr. Johannesson, wbo is 66, has talked of retiring and the Progressives hove a new chairman, but as the election campaign advances suspicions have grown that the former premier intends to continue to play a major role.

The same applies to Mr. *Ludvik Josefsson*, 65, the People's Alliance chairman, who is not seeking re-election to the Althing. The record of both these leaders suggests that they would not welcome the tough deflationary economic package, about wbich their juniors might just agree.

Like the weather the Icelandic political scene remains unstable and cloudy. One cannot be sure that the election will produce a coalition ready to tackle *inflation effectively*, although Mr. Hallgrimsson seems determined to try, if he gets the chance. For Iceland's NATO allies there is the consolation that opposition to the air base at Keflavik has been completely overshadowed by the economic issues and does not appear to be an election issue.

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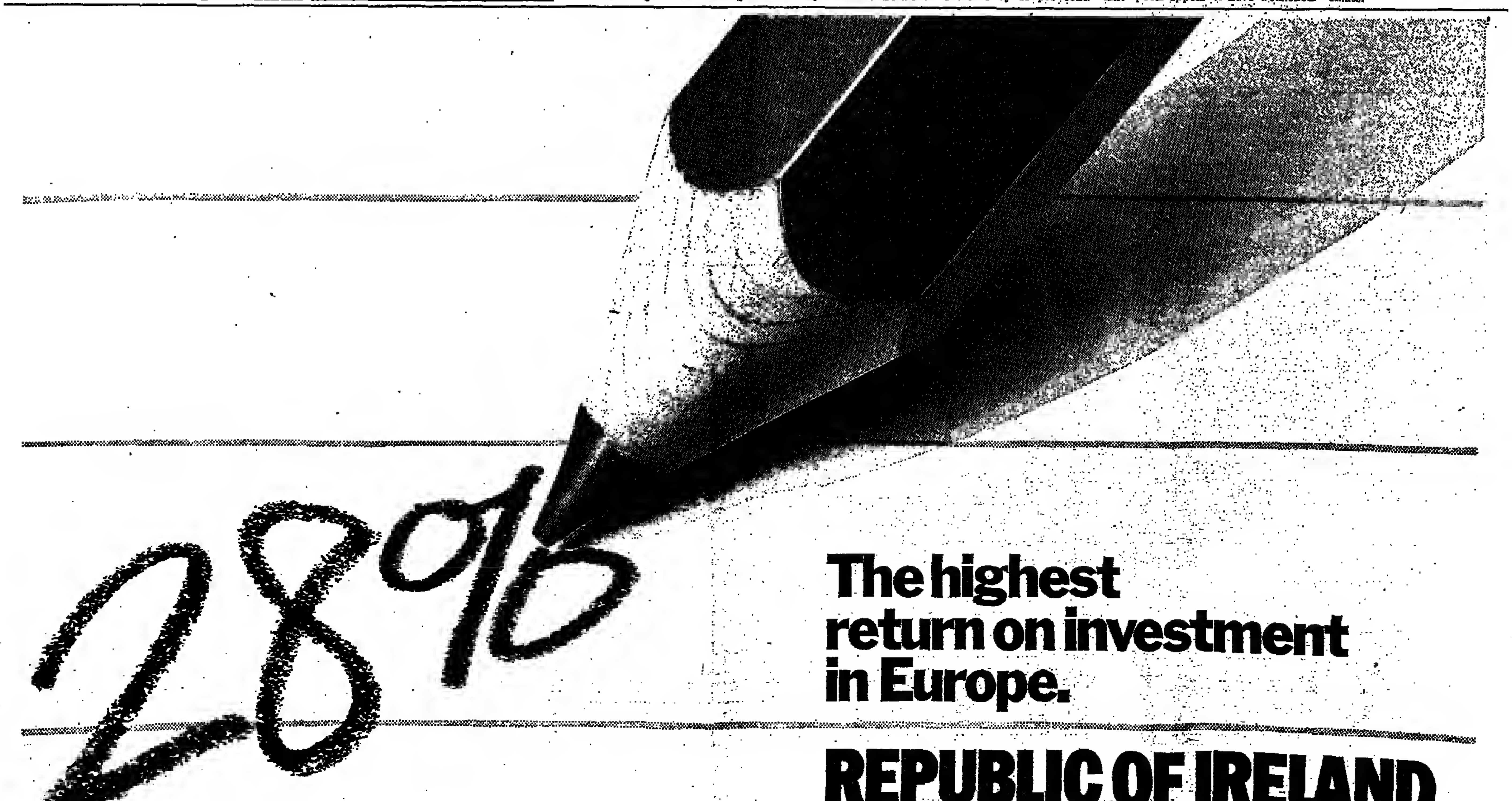


BARRE MAY CALL FOR CONFIDENCE VOTE

Crisis week in French budget row

BY ROBERT MAUTHNER IN PARIS

THE DISPUTE over France's 1980 budget between the Government and the Gaullist RPR party, one of the two main coalition partners, could blow up into a major crisis if no compromise is found by the end of this week.

Though the first reading of the Finance Bill is due to be completed in the National Assembly by Saturday, M. Raymond Barre, the Prime Minister, has not succeeded yet in persuading the Gaullists to modify their demands for large cuts in Government expenditure.

As a result, the possibility is growing that the Government will make the budget a question of confidence. Such a procedure would lead to the automatic adoption of the Finance Bill, unless an absolute majority of the National Assembly votes in favour of a censure motion.

So far, the Gaullists have insisted that they will not take their opposition as far as bringing down the Government.

But even if they do not vote for a censure motion, which can only be adopted with their support, relations between the coalition partners will have been seriously damaged. This will make it increasingly difficult for President Giscard d'Estaing to win parliamentary support for his policies.

Three weeks ago, the Gaullists engineered the defeat in Parliament of the entire revenue section of the budget by abstaining when it came to the vote. Their gesture was provoked by the refusal of the Government to accept a Gaullist amendment to reduce the central administration's running costs by as much as FFr 2bn (about £220m).

The Government has gone only a short way towards meeting the Gaullists' demands, by offering to make expenditure cuts of FFr 200m, which could be raised further by between FFr 100m and FFr 200m if it came to the push. But the Gaullists have given no sign that they are prepared to accept such relatively small reductions.

In the meantime, the National Assembly has blithely continued to discuss the spending side of the budget, without making any major modification in the proposed budgets of the various government departments.

In reply to M. Barre's suggestion that a working party, grouping representatives of the two main coalition parties, should be set up to discuss a compromise, the Gaullists have done no more than to emphasise that it is up to the Government to propose how expenditure could be reduced.

M. Raymond Barre: no luck with the Gaullists.

Leading banks put up rates

By Our Paris Staff

SEVERAL LEADING French banks raised their minimum lending rates from 11.05 per cent to 11.5 per cent yesterday, in response to the trend towards dearer money in the U.S. and West Germany.

The latest rise, led by Banque de l'Indochine et de Suez and followed in quick succession by Banque de Paris et des Pays-Bas and Crédit du Nord, marks the seventh successive increase in less than six months.

During that time the rate asked of French banks' most-favoured clients has gone up by over 30 per cent, from 8.8 per cent in early June.

The increase followed continued upward pressure on the money market, where day-to-day rates surged above 12 per cent at the end of last week. Other French banks are expected to come into line within a few days.

The continued rise of French interest rates is seen as consequence of U.S. and West German monetary policy and, secondly, of the French Government's determination to keep interest rates in line with inflation.

Strikers call on Minister to act

BY TERRY DODSWORTH IN PARIS

UNION LEADERS in the bitter strike at Alsthom-Atlantique, the French engineering company, have asked for the intervention of M. Jean Matteoli, the new Labour Minister. The move represents a last-ditch attempt to solve the seven-week-old sit-in which has become a test case for the Government's anti-inflation policy.

The demand follows a series of discussions between management, unions and the conciliation services over the past few days as it has become clear that the company's work force was rallying behind the union leadership.

A recent ballot called by the local conciliation committee gave a 62 per cent vote in support of continuing the dispute; the number of people who voted rose from 59 per cent at the beginning of October to 75 per cent.

Apart from demanding increased wages, the Alsthom workforce has been seeking more holidays as one of the main points in the union argument for improving conditions and reducing unemployment.

So far, Alsthom management has refused to yield on the main points, leading to fears of a head-on conflict if police are called in to clear workers off the company's premises. A court order authorising such an action has been held in respite for a week, but could be activated at any time.

The government conciliation services have also been asked to intervene in the long-running dispute at Dassault, the aerospace company, which has broken out over a similar salary and conditions claim.

Other disputes which suggest a further worsening in the labour situation, are continuing at Ducellier, the motor components company, Renault Industrial Vehicles, the commercial vehicle manufacturer and in a division of Rhone-Poulenc, the chemical company.

Disruption increases at airports

BY OUR PARIS STAFF

THE SITUATION at French airports became increasingly chaotic yesterday. Neither the striking air traffic controllers nor their employer, the French Government, showed any sign of altering their position.

To press their demand for negotiations, traffic controllers at the main operations centre near Paris turned the screw tighter by announcing longer stoppages this week.

Take-off clearance was refused yesterday between 8 am and 7 pm in the nearest equivalent to an all-out strike since the present action began two weeks ago. Many flights were either cancelled or delayed, and timetables were changed to ensure long-haul services.

Similar 11-hour stoppages are planned on Wednesday and Friday this week. Today and on Thursday, take-offs from main French airports are due to be held up for most of the afternoon. Air traffic controllers at a number of other centres have come out in support of their Paris colleagues.

The independent National Air Traffic Controllers' Union attacked the "intransigence" of the authorities and demanded mediation in the dispute.

Hague talks on more missiles for NATO

By Reginald Dale, European Editor in The Hague

NATO Defence Ministers meet in The Hague tomorrow to prepare the way for one of the most important decisions the alliance has made in 20 years.

The hope is that after two days of talks in the nuclear planning group, the allies will be ready to announce a major strengthening of their nuclear forces in Western Europe at the annual winter meeting of Defence and Foreign Ministers in Brussels next month.

The move would be accompanied by a package of new arms control initiatives to be put to the Warsaw Pact. At their meeting in The Hague, the Defence Ministers will be concentrating on the nuclear side of the equation—arms control is in most countries the concern of Foreign Ministers.

The attitude of the host country, the Netherlands, will be of major importance. The U.S. and Britain have already given their approval to a plan to deploy 572 new American Cruise and Pershing 2 missiles in Western Europe to counter the build-up of Soviet intermediate range nuclear weapons.

West Germany, while favourably disposed, has said that at least one other continental country must also accept the new missiles. It would prefer all three countries in question — the Netherlands, Belgium and Italy—to do so. Italy and Belgium have come close to announcing their readiness to act as base countries, putting pressure on the Dutch to follow suit. But the Dutch Government faces strong parliamentary resistance from the Labour Opposition and from within the ranks of the Christian Democrats, the major partners in the Centre-Right coalition.

The fear in Washington, Bonn and London has been that if the Dutch hesitate, the Italians and Belgians might also waver. So far Rome and Brussels appear to be standing firm. But even if they continue to do so, the alliance could be faced with a damaging split if the Dutch fail to commit themselves fully—for example by agreeing to production but seeking to defer the final decision to deploy the new weapons.

Demirel takes office after cabinet ratified

BY METIN MUNIR IN ANKARA

TURKEY'S NEW Prime Minister, Mr. Suleyman Demirel, took office yesterday after President Fahri Koruturk ratified his 29-member Cabinet.

The Justice Party leader is replacing Mr. Bulent Ecevit, the Social Democrat who resigned after 21 months in power when his Republican People's Party suffered severe by-election setbacks.

Mr. Demirel's will be a minority Government backed by Right-wing parties and independent members in the National Assembly.

Formidable problems face the new Administration. Tough measures are needed to stabilise the seriously ailing economy. Political violence, which claims several lives each day, is bordering on anarchy. The foreign policy agenda is dominated by defence difficulties with the U.S., deadlock in relations with the Common Market, and problems with Greece and Cyprus.

Mr. Demirel has chosen his ministers from among the moderate and uncontroversial Justice Party MPs. Mr. Ismet Sezgin (50) is Minister of Finance. He has been an MP for 18 years, formerly serving as Minister of Sport. He is also a veteran of Parliament's budget committee.

Mr. Sezgin is expected to change the governor of the central bank and the head of the Treasury, as well as making sweeping alterations in his ministry. Similar action is expected in the other ministries.

The Minister of Foreign Affairs is Mr. Hayrettin Erkmen (63). As Minister of Labour and Trade in the Menderes Governments he was goaled after the 1960 coup but was released after an amnesty.

Several other ministers were members of Mr. Menderes' administrations.

At 55, Mr. Demirel has more than eight years of experience as Prime Minister.

EEC funds proposed to compensate sheep farmers

BY MARGARET VAN HATTEM IN BRUSSELS

The EEC Commission, in an apparent attempt to help the French Government out of its political predicament on lamb, yesterday proposed that Community funds be used to compensate French sheep farmers should their prices drop as a result of British imports.

In a working paper presented to Common Market Farm Ministers meeting here, the Commission estimates that lifting the present illegal French import curbs on British lamb would cause French prices to drop by 12 per cent. British prices would rise by 8 per cent, and in other producer countries, mainly Ireland, they would drop by about 5 per cent.

Paying direct aids to compensate farmers for lower prices would cost 106m units of account, it says. In a crisis year, French prices might drop by 16 per cent, Irish by 8 per cent, while British prices would rise by 4 per cent.

State compensation in this would cost 166m units of account while intervention by the Commission, which estimates it would need to buy up about 20,000 tonnes, would add about 35m units of account to this.

The Commission argues that this compensation should come out of the Community budget. It opposes British, Danish and West German suggestions that the aid be phased out over the next few years, and suggests that full compensation be paid, initially for five years.

Moreover, the Commission appears to favour a limited amount of intervention buying between August 15 and December 15, in regions where prices drop by around 10 per cent or more below the Community average, and excluding the highest and lowest qualities of meat.

Ministers began their talks yesterday behind closed doors and initial reactions were not available.

W. German Liberals oust local party chief

By Jonathan Carr in Bonn

IN A MOVE evidently dictated by fears of serious election losses next year, the West German Liberal Free Democratic Party in the country's most populous state has ousted its own leader while he lay ill in bed and named a successor.

In a statement yesterday, Herr Horst-Ludwig Riemer, chairman of the FDP in North Rhine-Westphalia, accepted his colleague's decision and said he would also step down as the state's Economics Minister.

There has been widespread surprise and some critical Press comment at the apparently "illiberal" way in which the local FDP voted for removal of Herr Riemer late last week. In the presence of party leaders from Bonn, it was decided that Herr Riemer should go and that Herr Burkhard Hirsch, the present state Interior Minister, should replace him.

Herr Riemer has angered party colleagues by acting in a way they consider high-handed, not least by apparently discussing party personnel changes with the Press before those concerned knew of his plans.

With state elections due in North Rhine-Westphalia next May, and federal elections next autumn, it was clearly felt that the time had come for the party to close ranks around a new state leader, able to engender more team spirit.

The need for quick action has been emphasised by the recent rise of several smaller parties, which could threaten the FDP's election success and, indeed, its survival as a parliamentary force. An FDP failure in North Rhine-Westphalia could well have repercussions at national level.

Basque guerrillas claim kidnapping

Basque guerrillas said yesterday they had kidnapped Sr Javier Ruperez, a prominent member of the ruling Union de Centro Democratico, writes our Foreign Staff. This and growing violence in the Basque country, have come as an uncomfortable reminder of Spain's internal security problems. Sr. Ruperez, who is in charge of the party's foreign relations, disappeared on Sunday in Madrid. So far, there has been no word of conditions for his release.

Charles Smith, recently in Seoul, assesses the stormy relations between North and South Korea

Political turmoil heightens super-power unease

TO JUDGE by the deadpan tone of their reporting on the subject the North Koreans were as baffled as anyone else by the mysterious shooting of President Park Chung Hee in Seoul tan days ago. But this does not mean the North is going to sit quietly through any political upheavals in South Korea that may follow the President's death.

This is one reason why great care is likely to be exercised by the interim government of the South in bandling tricky issues such as constitutional reform and the procedure for electing a new president.

The notion that North Korea still hopes to launch a surprise attack on the South at some time in the future is based on information about the North's defence expenditure rather than on any aggressive statement of intent from Pyongyang.

Roughly 20 per cent of the North's GNP is helieved to be devoted to defence, compared with 6 per cent in the South. The smaller size of the North Korean economy means that in net terms there may not be much difference in the actual defence outlays of the two balves of the country. But North Korea probably get better value for its money than the South in terms of actual hardware because less of its defence budget is used for the payment of soldiers' wages.

What is absolutely clear is that defence has been given overwhelming priority by Pyongyang in the allocation of economic and financial resources, whereas South Korea has placed its main stream on the expansion of export industries. Seoul's Pyongyang watchers say the North would not have built up its forces to their present strength if it did not mean to use them for something.

Assessments of the North-South military balance suggest that South Korea's armed forces would have little chance of holding their own against a North Korean "blitzkrieg" attack aimed at capturing Seoul. The capital lies less than 50 kilometres from the military demarcation line.

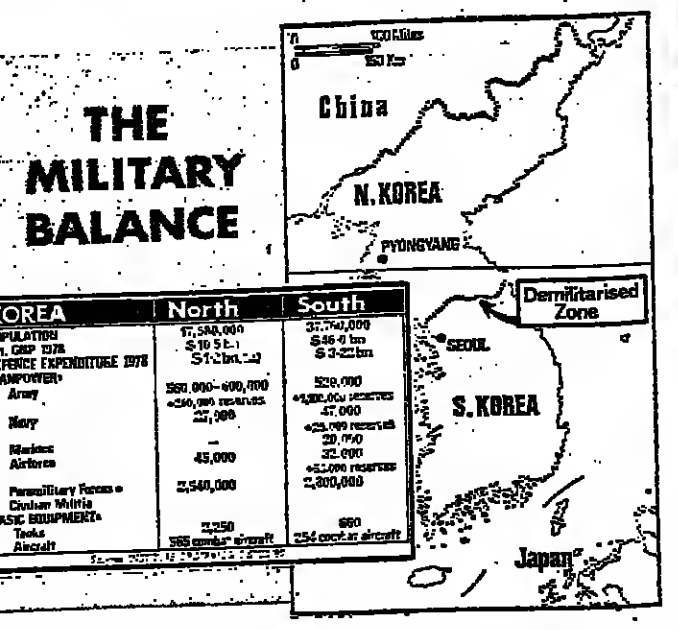
Sucb an attack would almost certainly lack tbe support of the Soviet Union and China, neither of whom appear to be interested in a hot war in the Korean Peninsula. But it doea not look as if either of the major Communist powers would be in a position tn stop Pyongyang

North Korea is dependent on the Soviet Union for arms (including MiG 21a) and on China and the Soviet Unlon for oil. Its stockpiles of both, however, are thought to be adequate for the 30- to 60-day campaign which might be needed to push the military demarcation line south of Seoul.

If the North were to capture Seoul, say the South Koreans, it would be well advised to propose an armistice along a new ceasefire line south of the capital. Such a division would leave South Korea with much less than half the population of the Korean Peninsula, as opposed to its present 60 per cent share. The unification of the country on Pyongyang's terms could then be axpected to follow "painlessly" assuming (as the South Koreans do) that the non-Communist South would have been fatally weakened by the loss of the capital.

South Korea claims that the main barrier to the launching of a northern "blitzkrieg" is the presence between Seoul and the military demarcation line of around 3,000 U.S. ground troops. The American presence constitutes a guarantee of U.S. involvement in any future Korean war and may thus be more important in helping to maintain the status quo than its actual numbers would suggest.

The fact that several hundred American nuclear warheads are almost certainly stockpiled near the frontier can also be presumed to be a factor in North Korea's calculations — even though the United States, in accordance with its normal policy on such matters, declines to admit that they are there.



KOREA	North	South
POPULATION	17,540,000	37,750,000
Est. GNP 1978	$10.5bn	$46.0bn
DEFENCE EXPENDITURE 1978	$1.2bn	$3.22bn
MANPOWER:		
Army	560,000–600,000 +260,000 reserves	520,000 +1,100,000 reserves
Navy	27,000	47,000 +25,000 reserves
Marines	—	20,000
Airforce	45,000	32,000 +55,000 reserves
Paramilitary Forces + Civilian Militia	2,540,000	2,800,000
BASIC EQUIPMENT:		
Tanks	2,250	860
Aircraft	565 combat aircraft	254 combat aircraft

President Kim Il Sung, North Korea's ruler, who helped lead resistance to Japanese rule before 1945. He became head of the Democratic People's Republic in September 1948. He has dominated internal friction and maintained a delicate balance in fnreign relations between Moscow and Peking to become nne of the world's longest-surviving political leaders.

The importance attached to the U.S. military presence explains why South Korea did everything in its power during the three years after President Carter's election to persuade Washington to scrap the plan for a pbased troop withdrawal which had formed part of Mr. Carter's election platform. With the withdrawal plan formally in a state of "abeyance," and with U.S.-South Korean relations in better shape today than they have been for some years, it would appear that the South should be "safe" from northern intervention provided it remains stable internally.

But safety from immediate intervention should not be confused with long term security. The South Koreans point out that all but two members of the North Korean ruling hierarchy are veterans of the 1930 anti-Japanese guerilla war and that, in relation to its size, North Korea is the most heavily armed nation in the world. Sooner or later, they argue, the regime must either change its spots or make use of the massive military capability it has built np over the past 20 years.

● South Korea's ruling Democratic Republican Party has named Kim Jong-pil, a former Prime Minister, to succeed President Park as party president. Mr. Kim is a former director of the Korean Central Intelligence Agency and was long an ally of the assassinated President.

Tension high as plea for Mayor of Nablus fails

BY DAVID LENNON IN TEL AVIV

TENSION continued to run high on the occupied West Bank of the Jordan yesterday as the Israeli Supreme Court turned down an application for the release of Mr. Bassam Shaka, Mayor of Nablus. Mr. Shaka was detained by the Israeli authorities on Sunday after expressing sympathy with Palestinian guerrilla actions against the occupation.

Stone-throwing youths attacked Israeli vehicles in Nablus and other West Bank towns yesterday. The leading political figures among the Palestinians sought meetings with Mr. Ezel Weizman, the Israali Defence Minister, to try to dissuade him from deporting the mayor.

Nablus, the largest town nn the occupied West Bank, was like a ghost town for the second day as a business strike declared on Sunday continued in force. In other parts of the occupied territories life continued as usual on the surface.

Mr. Shaka's lawyers are preparing their case for a hearing—probably tomorrow—against the military government's decision to deport the mayor, who is regarded as the West Bank's most outspoken Palestinian nationalist. The Israeli authorities have remained firm despite a threat by the mayors of 21 towns on the West Bank to resign today if Mr. Shaka is not released and allowed to return to his post.

Mr. Weizman is expected to meet the Mayor of Gaza, Mr. Rashad a-Shawa, today and may see other mayors to hear appeals against Mr. Shaka's deportation.

The next round of the Palestinian autonomy talks is due to start in Tel Aviv, and Egyptian and U.S. representatives are to discuss with the Israelis the functions of the self-rule administration which is planned for the occupied territories. Any hope that Palestinians might join these talks appears to bave been dashed by the arrest of Mr. Sbaka.

A radical at Iran's Foreign Ministry

By Our Foreign Staff

Mr. Bani-Sadr: a key figure in economic plans

IRAN'S new "supervisor" of foreign affairs, Mr. Abol Hassan Bani-Sadr, has played an important role from behind the scenes in the nine months since the success of the anti-Shah revolution. His appointment to a job which will range much further than the traditional Foreign Ministry portfolio is not going to please the international oil companies or reassure Western governments.

Born in 1935 in the western city of Hamadan, Mr. Bani-Sadr is the son of a preacher and landowner who was for many years close to Ayatollah Khomeini. He has inherited that position as one of the new breed of Iranian laymen deeply involved in the practical application of traditional Shi'ite Moslem precepts.

Like many of his contemporaries, he was educated abroad—in his case at the Sorbonne, where he studied for a doctorate in sociology and economics. Along with men such as Mr. Sadegh Ghotbzadeh, the broadcasting chief in the Islamic Republic, he was an activist in the Moslem wing of the exile anti-Shah movement and has worked with the Ayatollah since 1966.

Through his position on the ruling Revolutionary Council he has been the key figure in the radical economic measures taken by the new authorities. He pushed for the wholesale nationalisation of the banking system against the views of the officials concerned, and for the take-over of the industrial assets of Iran's major entrepreneurs.

More ominously for the international oil companies, he has advocated a policy of not selling oil on contract terms to the oil majors. He favours conservation, the addition of as much value in Iran as possible, by using the crude oil for petrochemicals, and the sale of the remainder on the spot market for the maximum going rate.

Division at UN as Cambodia debate starts

BY OUR UNITED NATIONS CORRESPONDENT

UNITED NATIONS members from four continents supported a call yesterday for the "immediate withdrawal of all foreign forces from Kampuchea" at the start of a General Assembly debate on Cambodia.

Vietnam led a counter-resolution which called on states to refrain from any activity which "would constitute interference" in Cambodia's internal affairs.

Both resolutions call for urgent humanitarian aid to Cambodians.

Two months ago, members voted two to one to continue to recognise the delegation sent to New York by the ousted government of Pol Pot and the Heng Samrin Government said at the week-end any resolution adopted by the Assembly on Cambodia would be considered null and void by Phnom Penh because of its exclusion from the debate.

It is possible, though, that the Vietnamese-led resolution may be approved. Only a simple majority is required.

Over Vietnamese objections, the five members of the Association of South-East Asian Nations initialled UN consideration of the political aspects of the Cambodian problem, which were ignored by most speakers at a pledging conference a week ago.

Australian unions seek rise for 6.4m workers

BY PATRICIA NEWBY IN CANBERRA

AUSTRALIA'S centralised wage-fixing system limps into its next phase today when the Arbitration Commission begins hearings for a national wage rise to compensate for cost of living increases in the June and September quarters.

The future of indexation itself will be under scrutiny and some submissions are expected to focus on whether the system should be scrapped.

Wage indexation through an independently arbitrated national wage case has been operating in Australia for more than four years. But after the June hearings, the Arbitration Commission complained that the system was not working.

It cited the rising level of industrial disputes, the use of "work value" cases to gain rises for certain workers in addition to the national wage rise, the increase in "sweetheart" deals between strong unions and employers and the resurgence in inflation which is expected to pass 10 per cent by the end of this year.

In the new hearings the Australian Council of Trade Unions is claiming a rise of 5.1 per cent for 6.4m workers. It is also asking the commission to grant a rise to compensate for previous decisions which did not pass on the full increase in the consumer price index.

The Government is expected to oppose the union claim and to recommend only a modest rise in view of recent "work value" rises and sweetheart deals and after the consumer price index has been adjusted to eliminate the impact of oil price rises. Private employers are expected to maintain total opposition to any pay rise on economic grounds.

Although the Government would like to see more wage restraint, it conceded recently that it wanted indexation to continue because of the industrial peace likely to accrue.

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FREDERICK LANGAN REPORTS FROM MISSISSAUGA

240,000 flee chlorine

ALMOST a quarter of a million people have been evacuated from the city of Mississauga in Ontario after a spectacular train derailment which left one propane tank car burning and another leaking poisonous chlorine gas.

The chlorine was leaking from a small fracture in the tank car but several hours later all of the escaped gas had dissipated. There were no injuries in the initial explosion.

The city of Mississauga, west of Toronto, Canada's largest city, is deserted. All schools, factories and businesses were closed as 240,000 people were evacuated from a 65-square-mile area.

Police said at noon yesterday that people will be asked to stay away at least until tomorrow. They said the propane tank was still burning and there was "some potential for an explosion."

A spokesman for Canadian Pacific Railways said the derailment, which touched off the explosion and fire at midnight on Saturday, occurred after a wheel-bearing overheated and broke. The blast was heard and felt 30 miles away.

Experts are waiting for the propane to burn off before trying to seal the leak in the tank car, which is holding 90 tons of chlorine.

No deaths or injuries were reported in this city, 10 miles west of Toronto, but police, firemen and evacuees complained of nausea, headaches and watery eyes from the fumes, which spread more than six miles from the site of the fire. There were no reports of damage to nearby buildings.

● Reuter adds: Firemen said the fire had been contained, and was stable, reducing the risk of the flames spreading to a tanker of poisonous chlorine gas which had leaked fumes into the air.

Firemen fight to extinguish the flames pouring from burning rail wagons after the derailment at Mississauga.

Kahn renews Chrysler confusion

BY IAN HARGREAVES IN NEW YORK

MR. ALFRED KAHN, President Carter's chief adviser on inflation, was yesterday at the centre of a new bout of confusion over the Administration's plans for a rescue of Chrysler Corporation.

Mr. Kahn created the confusion with remarks over the weekend that the recently negotiated pay contract between Chrysler and the United Autoworkers Union, much vaunted for its moderation, was "outrageous" in its breaches of the Administration's wage guidelines.

The Administration's Council on Wage and Price Stability, of which Mr. Kahn is chairman, would formally notify Chrysler that it was in "probable non-compliance" with the guidelines and that the White House may rethink its position on aid unless the wage award is cut, Mr. Kahn said.

Mr. Kahn's remarks could not have been made at a more effective moment. Only 10 days ago, the Treasury published a bill to provide Chrysler with loan guarantees of $1.5bn, and next week this Bill starts its crucial passage through the Senate Banking Committee.

Mr. Kahn said he could not see any real difference between the proposed Chrysler labour contract and the three-year deals recently concluded by the union with Ford and General Motors.

Both the union and the company have maintained that there is a major difference, in that the Chrysler deal will save the company over $200m in its first two years of operation, although Chrysler workers will catch up with other motor industry workers in the final year of the contract.

The Treasury appears to have accepted the company's assessment of the proposed contract, which is due for final ratification this week, and has said that the $200m saving can be counted towards the $1.5bn the company has been told it must raise itself to match the Treasury loan guarantees.

There are three possible explanations of Mr. Kahn's attack.

One theory suggests poor communication between Mr. Kahn's council and the Treasury which the Administration will now have to clear up with embarrassed haste.

A second is that Mr. Kahn, who disclosed a few days ago that he recently offered to resign but was dissuaded by the President, is using the highly sensitive issue of Chrysler to flex the muscle of the Wages and Prices Council.

The third possible interpretation, and the one being suggested by Mr. Kahn, is that the Administration was simply unaware of the over-generous terms of the Chrysler settlement and that it is determined to have it scaled down before committing public funds.

This seems unlikely.

With Washington on holiday yesterday, there was no sign of any move to clear up the confusion. But the union made it clear that there is no question of it re-opening contract negotiations with Chrysler.

Final vote on windfall Bill today

BY OUR WASHINGTON CORRESPONDENT

THE OIL windfall profits tax, the most controversial element in President Jimmy Carter's energy programme, today reaches the Senate floor for a final vote by the full Upper House, after a spate of recent successes for the President on energy legislation.

Worries about oil supplies from Iran were a factor in speeding Congressional approval last week of a programme to use Government revenue to support the development of synthetic fuels.

This followed similar action in the legislature on setting up an Energy Mobilisation Board to accelerate non-nuclear energy projects), and on a petrol rationing stand-by Bill, which the President has already signed into law.

Soaring oil company profits in the third quarter of this year have redoubled the Administration's determination to get the Senate to strengthen the $142bn windfall profits Bill, passed by the Senate Finance Committee, so that the Senate version more nearly resembles that passed already by the House of Representatives.

This would bring in about $270bn from extra profit over the next 10 years, which the oil companies are expected to reap from decontrol of domestic oil prices.

The Administration has argued that only a tough windfall profits Bill will provide enough to finance energy projects such as synthetic fuels.

But its argument may have been undermined by the fact that Congress has only approved a relatively modest synthetic fuels programme of $34bn, far short of Mr. Carter's original $88bn proposal.

Reagan to join Presidential race tonight

By Jurek Martin, U.S. Editor, in Washington

MR. RONALD REAGAN, the former film actor and twice Governor of California, will launch his candidacy in New York tonight for the Republican Party's Presidential nomination.

He enters a crowded field as a clear favourite in every public opinion poll, but nonetheless saddled with two basic handicaps—his age (he will be 69 next year) and a past losing record at the national level.

Mr. Reagan will, as before, driving his campaign train on the right side of the road.

Most polls give him a large lead — followed by Senator Howard Baker, the moderate from Tennessee, and Mr. John Connally, the Right-wing Texan, who are running neck and neck.

Quebec Assembly debates public-sector strike Bill

BY ROBERT GIBBENS IN MONTREAL

THE QUEBEC National Assembly held an emergency session yesterday to debate special legislation being introduced by the ruling Parti Quebecois to deal with strikes and threatened strikes in the public sector.

M. Rene Levesque, the province's Premier, requested the special session after the "Common Front" of Public Service Unions turned down new offers made by M. Jacques Parizeau, the Finance Minister, says would cost the taxpayer another C$600m.

The legislation is believed to be aimed at assuring essential hospital and welfare services. Most schools in Quebec are due to close tomorrow because teachers have turned down the latest offer.

Hospital services will be reduced to a minimum from Thursday and many civil servants are already staging rotating strikes. Power workers are threatening to strike.

Bus drivers in Montreal narrowly defeated a Government mediator's report on Sunday and began a one-day shutdown of all transit services yesterday. The maintenance men for both buses and underground trains had accepted a mediator's report a fortnight ago and went back to work after a 20-day shutdown of all transit services.

The chaos on the labour front, reminiscent of problems faced by the Liberal Government in 1975-76, may influence three key by-elections in Quebec tomorrow.

Senate cautious on mobile missiles

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER'S costly plan to deploy the new MX mobile missile system in the 1980s on a series of "race-tracks" in desert areas in the western U.S. has run into unexpected opposition in the Senate, now gearing itself up for a final vote on the SALT-II arms treaty.

Approving a weapons Bill for the current Budget year which the House of Representatives has already passed, the Senate voted $670m for preliminary funds to develop the mobile missiles.

But it unanimously attached an amendment stressing that there was no Congressional commitment to the "racetrack" deployment system.

The Senate's action last Friday comes as a surprise to the Administration, which had considered its decision on the MX, made last September, a trump card in persuading doubting Senators that, despite the SALT-II treaty, President Carter intended to keep up the U.S.'s nuclear guard against the Soviet Union.

Senator Robert Byrd, the Democratic leader, had recently tied his approval for SALT to an explicit written promise from Mr. Carter on the MX deployment.

The "racetrack" system would involve building a separate circular roadway for each of the 200-odd MX missiles to be transported on a huge truck between 23 different shelters. The object is to confuse Russian target planners who would not know which of the 23 shelters the MX was actually in at any one time.

No one here has disputed the need for a mobile missile system to replace the fixed-site Minuteman force, increasingly vulnerable to the accuracy of Russian missiles.

But doubts have grown in recent months about the cost of the "racetrack" system—estimated to bring the total price of the MX up to $37bn at least—and the environmental impact of so much military construction in the desert areas of Utah, Nevada and Arizona.

One Presidential contender, Governor Jerry Brown of California, has already come out against the proposed MX system, calling it "mass transit for missiles" when the pressing need for the U.S. was to develop better public transport for people.

Senate demands for more defence spending as a condition for approval of SALT, however, go wider than just the MX, and the Administration is expected to unveil the highlights of its 1980-81 defence Budget later this month or early December, before the Senate finally votes on SALT.

The treaty passed the Senate Foreign Relations Committee last Friday, by a majority of nine to six votes, but no one is confidently predicting the outcome on the floor.

Derailment revives tanker safety fear

By Sue Cameron, Chemicals Correspondent

THE CANADIAN freight train derailment and the ensuing rupture of a chlorine tank at the weekend have brought to the surface old fears about the dangers of transporting chemicals by road and rail.

Industry sources said yesterday that the Canadian authorities appeared to be taking the maximum precautions—wisely enough—against the possibility of a huge chlorine gas cloud being released over Ontario. Yet chlorine, is probably one of the safer chemicals to transport.

Chlorine is made from the electrolysis of brine, and is used as an industrial solvant, in water purification and in the manufacture of PVC and dyestuffs. It is non-flammable and non-explosive. A small hole in a freight tanker would normally lead to the gas escaping only slowly and in small amounts, because chlorine is cooled and pressurised to make it liquid when it is being transported.

A split in a tanker wall releases some of the pressure, but as the chemical seeps out it vaporises on contact with the air and creates a layer of ice over the hole. A tiny hole can sometimes be completely sealed in this way.

But the derailed Canadian train was carrying propane, toluene and caustic soda as well as chlorine. What the authorities there fear is that burning propane will split the chlorine tank from end to end and that the heat will drive all 70 tonnes of the gas into the air. Weather conditions will then dictate how quickly the cloud is dispersed.

Chlorine is a heavy gas, and a cloud of it would tend to drift downwards. It can suffocate in very small concentrations. A human being would suffer acute irritation to the eyes, throat and lungs after only 10 minutes' exposure to between 2 and 3 parts of chlorine per million of air. A concentration of 50 parts of chlorine per million of air would bring a very real danger of suffocation and 100ppm would probably be fatal.

Clark plans new oil industry tax

OTTAWA—Mr. Joe Clark, Canada's Prime Minister, will impose a tax on oil industry revenues resulting from increased domestic oil prices, he said yesterday.

The Government is also considering increased excise taxes on selected oil products to reduce demand, he told a national energy conference.

The extra tax revenues will be used by the Government to fund an energy bank for new energy projects and to pay for increased conservation and a programme to offset the immediate economic impact of higher oil prices.

Forecasts by the National Energy Board show Canada's reliance on imported oil will grow from 370,000 barrels a day this year, to 800,000 b/d by 1990.

Demand for some oil products, however, has risen by more than 4 per cent this year, three times the rate assumed by the Energy Board in its forecast.

Canada pledged at the Tokyo economic summit to cut demand for oil imports by some 100,000 b/d from the levels forecast for 1979 and 1980.

"Indications are that we will miss our target by something like 100 per cent, unless something is done," Mr. Clark said. Reuter

Tokyo urged to take stake in Saudi chemical project

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE JAPANESE Government is considering taking a direct stake in a $270m Saudi Arabian project to manufacture methanol from natural gas, according to the Ministry of International Trade and Industry. Methanol's main uses are as a solvent, in the manufacture of formaldehyde, anti-freeze and other chemicals.

The Japanese promoter of the project, Mitsubishi Gas Chemical Company, is one of the largest of Japan's domestic methanol producers. Mitsubishi, along with three other methanol manufacturers and the trading company C. Itoh and Co. are to be shareholders in the joint venture company that will operate the plant.

The five companies have proposed that the Overseas Economic Co-operation Fund (OECF) (a government soft loan agency) should join the project by acquiring a 40 per cent capital stake in the joint venture company. If the government accedes to the request the OECF would probably be required to put up about Yen 3.6bn (£7.35m). In return for Government involvement it is hoped that Saudi Arabia step up supplies of direct deal oil to Japan.

The Saudi project, at the Al Jubail industrial estate, will produce 600,000 tons per year of methanol from 1983 onwards, of which 100,000 tons will be consumed domestically. The Japanese promoters will acquire the remaining 500,000 tons, of which 300,000 tons will be imported into Japan and the remainder exported (chiefly to other parts of the Far East). Japan's domestic methanol production may be reduced to allow room in the domestic market for the Saudi imports which could be cheaper than current domestic production. Methanol in Japan is made partly from butane gas and partly from natural gas produced in Niigata prefecture.

The question of Japanese official participation in the Al Jubail project has become urgent in that construction work is due to start early next year, with completion scheduled for 1982. A formal agreement on the project will be signed on November 24 by Saudi officials and by the Japanese promoters.

Sixty per cent of the cost of the $270m project will be financed by Saudi Arabian Government loans, with 10 per cent coming from Japanese commercial banks and the remainder (about $80m) consisting of the capital of the joint venture company. Mitsubishi Gas and the four other Japanese private sector shareholders are at the moment committed to putting up a total of Y1.8bn (about $8m) worth of capital for the joint company. This sum will have to be increased before the plant comes on stream.

If the Government decides to become involved then the Saudi methanol plant will be the second Japanese-backed chemical project in the Middle East to be declared a "national project." The first was the much larger Bandar Khomeini petrochemical complex in Iran. The OECF will acquire a Y20bn capital stake in the Bandar Khomeini project as part of a re-financing plan made necessary by the political upheavals in Iran.

SENIOR MINISTER VISITS LONDON

UK seeks more Greek contracts

BY N. J. MICHAELSON IN ATHENS AND DAVID TONGE IN LONDON

A MAJOR attempt to increase the share of Greek public sector projects won by British companies is to be made this week during the visit to London of Mr. Constantine Mitsotakis, the Greek Minister of Co-ordination.

Having shown more qualms than the French about accepting contracts from the colonels during the 1967-74 dictatorship, Britain now finds it is still lagging behind in post-junta contracts. But it is hoping to sell two 350 megawatt coal-fired electricity generating units to the Greek Public Power Corporation. There is also considerable British interest in arms sales and, in the longer term, in projects such as railway electrification.

Mr. Mitsotakis, who arrived yesterday, is the guest of Mr. John Nott, the Trade Secretary. However, the appointments arranged for him reflect the wide powers of his own ministry. He is due to meet Lord Carrington, the Foreign Secretary, Sir Geoffrey Howe, the Chancellor of the Exchequer, Sir Keith Joseph, the Secretary for Industry, Mr. Peter Walker, the Minister of Agriculture and Sir Gordon Richardson, the governor of the Bank of England. He is also due to meet a wide range of defence officials and companies.

Mr. Mitsotakis has said that his discussions will not cover a project by Greece to buy British tanks and set up a local tank factory. This project has been postponed because of the need for austerity and the continuing emphasis given to the Greek Navy and Air Force. In general arms purchases have been far more delayed than the British would like.

In the energy field Greece is interested in exploring the possibility of buying British North Sea oil. Reportedly Greek officials have some doubts over whether Libya intends to abide by a contract signed in February under which it would supply Greece with 15.75m tonnes of crude over the next five years. This amount would have been equivalent to about one-third of Greece's crude requirements and the price was apparently intended to be below normal OPEC rates.

Greece's first nuclear power plant, scheduled to come on stream in 1987, is still at the planning stage and will not be discussed. However, one major project which will be raised by the Minister is a new alumina plant. Greece is keen to establish a plant making use of the country's large bauxite reserves.

BSC in Far East joint venture

BY ROY HODSON

OPPORTUNITIES to win major new contracts for steel construction and civil engineering works in South East Asia have prompted Redpath Dorman Long International, a subsidiary of the British Steel Corporation, and the Jardine Engineering Corporation to join forces to tender for work in the area.

A new company formed by the two groups will be called the RDL Jardine Joint Venture. It will undertake design, fabrication, and construction of steel-based projects. It will also handle the technical and engineering management of contracts drawing upon the experience of RDL in those fields.

The partnership has been forged at a time when there is growing speculation that British Steel may offer for sale the engineering, constructional and bridge-building interests combined in RDL and the chemical activities in BSC (Chemicals).

The Government has discussed the possibility of sales of BSC's peripheral assets as one means of offsetting the corporation's continuing losses which are likely to reach between £250m and £350m in the current financial year.

RDL built the undersea road tunnel in Hong Kong and has an association with the colony in steel-work construction spanning more than half-a-century. RDL International is currently working on a HK$20m aircraft servicing facility at Kai Tak Airport for the Hong Kong Aircraft Engineering Company.

The new company will undertake work in Hong Kong, Singapore, Malaysia, the Philippines, and Indonesia, together with the offshore islands. A new board of management has been agreed for RDL Jardine Joint Venture consisting of two directors from each parent company. It will be managed by Mr. E. E. F. Taylor of RDL who will be resident in Hong Kong.

Pakistan deficit widens

BY PETER WOOLAS IN ISLAMABAD

PAKISTAN'S exports reached a record $1.7bn (£813m) in the financial year ended June 1979, according to figures recently released here. This is an increase of just over 30 per cent on the previous year's export earnings and is some $50m up on the target set for the year.

But while business and commercial circles have been encouraged by this performance, it has been more than offset by the imports bill. Imports for the year rose by 31 per cent to $3.7bn, pushing the trade deficit up from $1.5bn to almost $2bn.

The deficit is largely responsible for Pakistan's persistent balance of payments problems, particularly as remittances from Pakistani workers abroad have tended to level off in the past year.

Details of import figures reveal exceptionally large rises. Wheat imports climbed 162 per cent following a poor harvest, while purchases of fertiliser soared 168 per cent and of edible oil 71 per cent.

On the export front traditional products like rice, cotton yarn and cloth and leather accounted for most of the earnings. Engineering and electrical goods and surgical items showed an improvement.

Officials were confident that this year's export target of $1.9bn will be reached. But there is less comment on the import problem, which Western economists say demands action if the country's economic performance is to be improved.

Shipping line accord mooted

ISLAMABAD — A joint shipping line is being considered by Pakistan and the Association of South East Asian Nations (ASEAN), and a bank venture by Pakistan, Indonesia and the Philippines, according to Mr. Ghulam Ali Panjwani, chairman of the Pakistan-Indonesia trade committee of the Federation of Pakistan Chamber of Commerce and Industry.

Mr. Panjwani said other proposed ventures included the processing of logs from Indonesia and the Philippines in Pakistani saw mills and re-exporting them to the Middle East. At present, Indonesian logs are sawn in Singapore. Mr. Panjwani said the Trade Commissioner of Singapore has supported the proposed venture. AP-DJ

Firm stand on U.S. textiles sought

BY RHYS DAVID

THE EEC Commission must stop "pussy-footing" on the question of cheap U.S. fibre and textile exports if it is to save the UK industry from being strangled, Mr. Leonard Regan, president of the British Textile Confederations, urged last night.

In the strongest response yet to the continued increase in U.S. penetration of the UK market, Mr. Regan, who is also chairman of Carrington Viyella, said the UK Government must force the EEC Council of Ministers at its meeting next week to honour commitments to prevent disruption in the Community textile market.

UK fibre and textile producers presented evidence to the EEC in April that, because of artificially low prices for energy and fibre feedstock, U.S. producers were gaining a price advantage of between 10 and 20 per cent on man made fibres and yarn. As well as amounting to unfair competition, the U.S. policy of keeping oil cheap for domestic uses was intolerable in the present energy crisis, the industry has been arguing.

"This artificial price advantage increases with each rise in world oil prices. Added to the undervalued dollar, it has enabled the U.S. to grab a rapidly growing share of the UK market—for example 28 per cent of the UK's polyester filament yarn market compared with 7½ per cent a year ago," Mr. Regan said.

Mr. Regan pointed out that when the Tokyo Round negotiations were completed earlier this year, the EEC Council of Ministers had agreed to take action under GATT rules if this artificial pricing led to the threat of disruption in the Community market.

"The threat is now a reality which grows in severity every week and undermines virtually every sector of our textile industry. All that has happened is talk and more talk between the Commission and the U.S. authorities. The Commission speaks vaguely of voluntary restraint action. If the Commission seriously believes that the Americans will take effective voluntary action, they are living in cloud cuckoo land," Mr. Regan said.

Giles Merritt adds from Brussels: The European Commission is drawing up detailed proposals on the ways U.S. exports of synthetic fibres to the EEC market could be curbed.

The proposals were requested by Foreign Ministers when they last met in Luxembourg a fortnight ago, and their preparations were accompanied by continuing talks between the Brussels Commission and the U.S. Government on the disruptive effects on petro-chemical feedstock prices of U.S. controls on oil and gas prices.

ECGD in £117m loan to Romania

By Our Foreign Staff

THE EXPORT Credits Guarantee Department has guaranteed a £117m loan to the Romanian Bank for Foreign Trade, the ECGD announced yesterday. The loan was made by Lloyds Bank acting on its own behalf and for the Anglo-Romanian Bank.

It will help finance contracts awarded to British Aerospace by Central National Aeronautic Bucuresti, the Romanian state enterprise for foreign trade, and Central National al Industriei Aeronautice Romane for the granting of a licence agreement and the supply of expertise and components for the assembly of British Aerospace BAC 1-11 aircraft. Under the co-operative venture, three of the aircraft will be delivered to Romania and a further 22 will be built in that country.

Meanwhile, the Overseas Development Administration has announced that Britain will give a new £15m grant to India to finance British goods and services needed to maintain the productive capacity of the Indian economy. The grant will largely be spent on the purchase of high grade steel plate from the British Steel Corporation.

The ODA also will provide £4m in new grant aid to Uganda, which will be largely tied to the purchase of goods and services from the U.K. Britain's present aid to the country totals about £2m.

Banks back Parana dam

POSADAS — Argentina and Paraguay have signed international loan contracts for $420m (£205m) to pay for the Yacyreta hydroelectric dam on their Parana River border.

The matching loans, provided by the World Bank and the Inter-American Development Bank, will enable a binational company to start building the $5.5bn dam, which is scheduled to start generating in 1985 and which will produce 2,700 megawatts of electricity when completed in 1990. AP-DJ

Sicily credit to China

Banco di Sicila has become the first Italian bank to grant its own export credit to China, AP-DJ reports from Palermo. The Bank signed a pact extending a medium-term financing of $75m (£35.8m) to the Bank of China. The credit will be of five, seven or 10 years, depending on China's wishes.

Canada aids Abidjan

The Export Development Corporation and a bank consortium led by the Royal Bank of Canada has concluded a U.S.$28m loan agreement to support the building of a clinic in Abidjan, Ivory Coast, Reuter reports from Ottawa. The consortium includes the Bank of Montreal, National Bank of Canada, Canadian Imperial Bank of Commerce and Toronto-Dominion Bank.

Swiss win Iraq order

Sy Deco, the Zurich-based civil engineering company, has received an order worth SwFr 20m (£6m) for work on four agricultural training colleges in Iraq and delivery of pre-fabricated building elements and special equipment, John Wicks writes from Zurich. The contract is covered by the Swiss Export Risk Guarantee and by Swiss-Franc letters of credit.

EEC grant to Liberia

The European Community Commission will grant Liberia 7.6m units of account (£5m) in compensation for the sudden drop in the country's receipts from exports of iron-ore pellets last year, AP-DJ reports from Brussels.

Saudi job

The export division of H. H. Robertson (UK) has won orders worth £1.6m for the provision of building cladding systems to three major construction projects in Saudi Arabia, the company announced. All the materials are being manufactured at the Robertson factory in Ellesmere Port, Cheshire, UK.

Chinese buy Burroughs

Burroughs Corporation has received a A$2.2m (£1m) order from the National Instrument Import and Export Corporation of China for data-processing equipment to be used by the Ministry of Foreign Trade, Burroughs has announced. The order calls for the purchase of two B-3950 medium-scale computers, one B-876 system, 35 MT 600 modular data entry systems, and three B-92 small-scale computers. The equipment is scheduled for installation at four sites in Peking in November, 1980.

France-Mexico deal

AN order worth some FFr 90m (£10.2m) has been placed with Construction Mecanique, a French subsidiary of the Swiss Silzer Brothers, for 35 pump aggregates for the Cutzamala industrial project in Mexico, John Wicks writes from Zurich. The contract was won against competition from West Germany, North America and Japan.

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UK NEWS

Britain pushes 'scrap and build' ship plan

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A PLAN for individual EEC countries to be allowed to introduce their own national funds for a "scrap and build" ship subsidy scheme is to be pushed by the British Government in Brussels later this month.

The EEC's Council of Ministers is to meet to consider whether to go ahead with a plan for a scrap and build arrangement that could cost up to £90m a year. They will have to decide whether it should be organised centrally for the Community or, as the UK prefers, in individual countries.

The aim is to improve European shipping fleets and to help save about 35,000 jobs in EEC shipyards, maintaining capacity for the expected upturn in the shipping and shipbuilding market in two or three years.

EEC shipowners would be subsidised towards the cost of building one ship in EEC yards for every two that they scrapped. A shortage of scrap-yards in Europe would, however, mean that the Far East would gain orders for dismantling many of the condemned vessels.

This could lead to enforcement problems in making sure that ships that should have been scrapped were not put back into service.

For this and other reasons, the proposals have met with opposition. Some EEC countries do not believe that the subsidies would be cost effective. It is generally recognised in the UK and elsewhere that the scheme would have a marginal impact.

The UK Government believes the scheme would be worthwhile if it was introduced quickly, before the expected upturn begins, and if it was organised on a national basis. A country would only subsidise building work carried out in its own yards.

The Council of Ministers will be presented with proposals for the EEC as a whole, which envisage spending about £90m a year for perhaps two years, of which £50m would be for building work and £40m for scrapping.

Some experts believe that these figures are unrealistically high, because they envisage the EEC gaining orders for 1m compensated gross registered tons of building work a year.

One problem is that the shipping fleets of the UK and some other EEC countries are relatively modern and do not require replacing. To cover this, an EEC shipowner will probably be allowed to buy old ships from other countries for scrapping in order to qualify for the EEC building grant.

The subsidies would cover about 8 per cent of the contract value for building work. For scrapping, they would cover the difference between the scrap and second-hand values.

Roger Taylor

Wedd Durlacher, one of the main jobbers in British Petroleum shares, rigged its dealers in BP boiler suits yesterday morning so that they could be picked out easily when dealings for the new partly paid shares opened. However, the crowd of brokers had come to watch rather than to deal, though the shares started at 156p compared with a cast of 150p.

By early afternoon, when the price had settled at 154p, the Stock Exchange assessed the level of dealings—described by market operators as "disappointing for us, good for the Bank"—and cancelled its plans to allow oil pitches to remain open till 5 pm.

Alterations in tax structure will take time, says Howe

BY MICHAEL LAFFERTY

SIR GEOFFREY HOWE, Chancellor of the Exchequer, said yesterday that he hoped to reduce levels of taxation to the point where tax could be collected with the broad consent of most people. But the process would take time, he warned.

The Government intended in the next few years to make further cuts in the basic rate of income tax. "But I am bound to remind you, as I contemplate that objective, that the revenue cost of each penny off the basic rate is approximately £500m," he said.

The Government also wanted to bring further relief to those at the bottom of the income tax scale by raising the thresholds.

"It is hard to believe that we should continue indefinitely to collect income tax at such low income levels as we do at present. It is hard, unjust and discouraging," Sir Geoffrey told delegates at a tax reform conference in London, organised by Westminster and City Programmes.

The Chancellor described the present levies on capital as a haphazard accumulation of taxes.

"We have been giving a good deal of thought to what should be done and have been consulting widely. I hope to put forward proposals in my Budget in the spring."

The capital tax system needed to be less oppressive. This meant a reduction in the overall amount of tax paid by those who built up and owned capital. In addition, the system needed to be simplified.

"That means easier and fewer rules and fewer people caught in the net."

It was a short step from the reform of capital taxation to the encouragement of new businesses. "By cutting income tax, as we have done, and tackling the capital taxes, we shall, I am sure, have done more for small businesses than we would with a whole raft of specialised tax concessions. Having said that, however, I do not rule out the possibility that we might, as well as helping with general tax concessions, identify further specific points where fiscal adjustments might be appropriate."

On corporation tax, the Chancellor said he shared the hope, which the Governor of the Bank of England expressed last week, that the proposed inflation accounting system should be implemented. The Government was reviewing the present company tax provisions against the criterion that the tax system should take account of the effects of price changes. There would be full consultation before changes were introduced.

Sir Geoffrey also spoke about tax administration enforcement procedures. It was all too easy to jump to the wrong conclusion in looking at the balance of power between the public and the revenue departments. Nevertheless, it was right that the balance should be periodically reviewed.

Mr. Denzil Davies, Opposition front bench spokesman on economic affairs, told delegates that the Labour Party was committed to the introduction of a wealth tax.

On capital gains tax, he believed that the best solution for dealing with inflation would be to taper the tax rates according to the length of time assets were held. But this measure would have to be part of a package in which short-term "speculative" gains were taxed as income.

BL-Aston Martin study on MG

BL AND ASTON MARTIN Lagonda are to set up a joint working party to investigate the future of the BL-owned MG plant at Abingdon, it was decided at a meeting in London yesterday.

The findings of the working party will be used by Mr. Alan Curtis, Aston Martin's joint chairman, and a consortium of businessmen, to decide whether they will make BL an offer for the plant.

The consortium wants to take over the plant, which employees 1,500, and to buy the MG name.

BL appears to be interested only in a licensing deal for the consortium to continue manufacture of the MGB sports car after the scheduled ending of production late in 1980.

A joint statement said that no offer had been made, but BL had said it was open-minded about considering any commercially viable proposition, although the use of Abingdon and the retention of the MG marque were built into the company's forward plan.

"The outcome of the meeting was that BL agreed to supply certain confidential information to allow Aston Martin Lagonda to decide whether or not it wishes to make a proposal concerning MG," said the companies.

BL said later that the wroking party would explore such subjects as the manufacturing, purchasing and financial policy of MG. No date has been given for further discussions.

Abingdon, which has been the home of MG for 50 years, is planned to play a part in production in 1981 of the joint BL-Honda car, but with a substantially reduced workforce.

Evidence sought on price-cut curbs

By David Churchill, Consumer Affairs Correspondent

THE OFFICE of Fair Trading has written to the Argos discount stores group inviting it to give evidence of manufacturers refusing to supply goods because of Argos' price-cutting policy.

The move follows Tesco's decision to complain to the Office of Fair Trading, alleging that the Thorn group refuses to supply Ferguson colour televisions and audio equipment because Tesco might sell them at a lower price than other retailers.

Though Argos has made no official complaint to the OFT about manufacturers refusing to supply goods, it has made no secret that it considers it has been refused supply by a number of manufacturers.

In particular Argos has claimed that it was unable to obtain Seiko digital watches from official trade sources.

It has obtained supplies from a source believed to be overseas and sells the watch at just under £100, some £40 below the recommended price.

Argos has faced supply problems from other manufacturers, such as those providing sports goods, who are reluctant to supply the company because its lower prices would undercut specialist retailers.

Under the Resale Prices Acts of 1964 and 1976, manufacturers are prohibited from trying to enforce resale prices on retailers by refusing to supply those who cut prices.

Ladbroke pay-off claim denied

BY JAMES BARTHOLOMEW

MR. ROGER WITHERS, former sales director of Ladbroke's casino division, denied in Knightsbridge Crown Court yesterday that he had told another employee that Ladbroke might make a £250,000 pay-off to his predecessor, Mr. Gordon Irvine.

It was the sixth day of Ladbroke's appeal against the decision of South Westminster magistrates that two group subsidiaries are not "fit and proper persons to be holders of gaming licences." Mr. Withers disputed the earlier testimony of Mrs. Janet Ballard, former personal assistant to Mr. Cyril Stein, chairman of Ladbroke.

Mr. Richard do Cann, QC, for the licensing magistrates, put Mrs. Ballard's evidence to Mr. Withers:

"Mrs. Ballard says there was a conversation with you the day after the police investigations began and the balloon had gone up. She was discussing with you how serious the matter was. She was saying it would cost Ladrokes, and how you said Irvine would not be able to work for the rest of his life, and it would cost in the region of one quarter of a million pounds."

Mr. Withers replied: "I remember no such conversation. It is obviously factually incorrect because to say he could not work for the rest of his life is not a factual or logical thing to say."

Under cross-examination by Mr. Michael Kempster, for the police, Mr. Withers added that £¼m "was not a figure I mentioned to Mrs. Ballard as my own speculation and if I were to speculate I would not speculate a figure as high as that."

In answer to Mr. Brian Leary, QC for the Playboy Club, Mr. Withers said that he made no inquiry following an article in the magazine Private Eye on May 12, 1978. In this article Private Eye alleged that Ladbroke had hired a private detective to log car registration numbers, traced the owners through the police computer, and had given the owners presents and complimentary meals at Ladbroke casino clubs.

Mr. Withers agreed that the allegations were "gravely serious" but he did "nothing" about it.

The hearing continues tomorrow.

Health group seeks court ban on hospital closure

BY LISA WOOD

A COMMUNITY health council yesterday asked a High Court judge to stop Government-appointed health commissionars from going ahead with the temporary closure of St. Olaves Hospital in Greenwich, London.

Mr. James Goudie, counsel for the Guys district CHC, claimed the commissioners' economy plan at the 223-bed hospital was "hurriedly thrown together."

Mr. Patrick Jenkin, Social Services Secretary, appointed the commissioners after suspending members of the Lambeth, Southwark and Lewisham area health authority for refusing to make public spending cuts of £5m.

Mr. Anthony Evans, QC, for the commissioners, asked Mr. Justice Wolff to declare that the closure decision was valid.

The hearing continues today.

William Press in £30m contract

BY JAMES McDONALD

WILLIAM PRESS AND SON, in a joint venture with H. A. O'Neil, of Dublin, has received a letter of intent for a contract worth nearly £30m from Alumina Contractors. It is for the installation of mechanical services in a £330m alumina extraction plant being constructed on Aughinish Island near Limerick in the Republic of Ireland.

This is the largest single contract let so far on what is one of the biggest construction projects in Europe and the largest undertaken in Ireland in the private sector.

The plant is being built for Aughinish Alumina Limited, which represents the three participating companies financing the project: Alcan Ireland; Billiton Aluminium Ireland; and the Anaconda Ireland

William Press and Son and H. A. O'Neil have signed a joint venture agreement to handle the contract.

The joint venture covers the provision of all equipment, management and labour involved with the installation of mechanical works on the 1,000-acre Aughinish Island site. This will include almost 100 miles of piping, 14,500 tons of structural steel and 25,000 square metres of metal decking.

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1% Better.

With some diffidence, we would like to draw your attention to one of the less sensational, but more significant, events of the motoring year.

The slightly improved Audi 100.

Eagle-eyed Audi drivers may have noticed that the bumpers now wrap right round to the wheel arches; that the twin foglamps are now built neatly into the front bumper; and that the headlamps and indicators have been visually combined.

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There is also a new range of seat fabrics and colours to choose from.

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All false modesty aside, we got the Audi 100 99% right three years ago.

It was then that we parted company with all other car makers by introducing the world's first five cylinder petrol engine.

Smooth as a six, yet economical as a four, it delivered high performance with low petrol consumption.

We installed this unique power unit in a body that had been developed in a wind tunnel to produce a low-drag shape.

This, in turn, meant that the engine had to work less hard to push that shape through the air. Thereby saving fuel in another direction.

And by employing tough new plastics where most others were still using metal, we reduced the weight our new engine had to push around.

We lightened the car even further by making it safer.

The Timoshenko girders around which the Audi 100 was built were lighter than ordinary girders because they were designed to absorb impacts rather than fend them off.

Their contribution towards fuel economy was, however, a welcome bonus. Especially as petrol had just reached the ruinous price of 80 pence per gallon.

The 10,000 mile main service intervals went down well too because the service and maintenance costs had also reached outrageous heights.

And if you add space and luxury to all these sensible qualities, you can see why the Audi 100 was right for the tough conditions of 1976. And why it is even more right for the tougher conditions of 1980.

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Yet the tougher things get, the better it seems to look.

The Audi 100 five cylinder.

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OFFICIAL FUEL ECONOMY FIGURES FOR THE AUDI 100 5E URBAN CYCLE ARE: 18.5 MPG (15.3 LITRES/100 KM) MANUAL AND 20.9 MPG (13.5 LITRES/100 KM) AUTOMATIC; AT A CONSTANT 56 MPH 31.4 MPG (9.0 LITRES/100 KM) MANUAL AND 29.4 MPG (9.6 LITRES/100 KM) AUTOMATIC; AND AT A CONSTANT 75 MPH, 25.7 MPG (11.0 LITRES/100 KM) MANUAL AND 22.8 MPG (12.4 LITRES/100 KM) AUTOMATIC. ALLOY WHEELS SHOWN ARE AN OPTIONAL EXTRA. FOR MORE INFORMATION WRITE TO AUDI MARKETING DEPT., VOLKSWAGEN (GB) LTD., YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. DIPLOMATIC, NATO AND PERSONAL EXPORT ENQUIRIES TO: PERSONAL EXPORT SALES, 95 BAKER STREET, LONDON W1. TELEPHONE: 01-486 8411.

New ITV channel faces hard start

BY ARTHUR SANDLES

THE Independent Broadcasting Authority said yesterday that it might have to raise about £40m over the next two years to launch a new fourth television channel.

It is suggesting that the second independent channel, due to start in the autumn of 1982, should be run by a new separate company.

The chanel is likely to cost more than £20m to set up and between £60m and £80m a year to run. The burden on the ITV One contractors of providing these funds during the start-up period will be heavy.

The authority clearly believes that it is starting the fourth channel in a difficult economic climate. It says that conditions may be "less favourable than in the last few years."

"The authority is confident that there will in time be sufficient revenue to support two services of high quality," it said yesterday. "But we must be on our guard against over-confident planning."

The IBA says: "Money is bound to be tight." It argues that the programmes cannot all have the budgets sought for them; and profits received by the ITV companies, "of which some five-sixths pass to the Government in levy and tax," will be diminished for the first year or two at least.

Legislation to set up the new service will probably be introduced early next year, but it is unlikely that the IBA would have published its own ideas without consulting the Home Office.

Under the IBA proposals ITV contractors will have to pay annual subscriptions towards the fourth chanel in relation to their present rental charges. If this were done immediately the heaviest burden would fall on the London wekday contractor, Thames.

However, contract holders will be free to sell TV Four advertising time and keep the revenue they raise as a result. They will also be able to sell programme material to the new channel.

The IBA argues that the fourth channel will have its own distinctive character. It will be complementary to ITV One. Both the IBA and the Government are keen to avoid the new channel being called ITV Two, but so far neither of them has come up with a suitable alternative.

Lady Plowden, chairman of the IBA, said yesterday that the fourth channel board would be responsible for acquiring programmes and scheduling them, appointing and employing the small staff, and for operating within the authority's budgetary limits.

"The authority would approve schedules of the fourth channel, even as it does for the present service," said Lady Plowden. "And it would ensure that there was proper co-ordination to maintain a balance of choice between the two channels."

The fourth channel board will be people "knowledgeable on the many aspects which together make up television broadcasting." It might consist of some 12-14 people, four drawn from the ITV companies. The others would come from the different interests that contribute to the channel or have special concern with this operation.

The company will not make programmes itself, but will commission and acquire them from others. This means that it will have only the smallest studio space, sufficient perhaps to do linking announcements.

"The channel will, among other things, provide opportunities for a wider range of programme supply, since, for the first time, it will be looking to independent producers for a significant part of its output," says the IBA.

Car chief calls for unity

Financial Times Reporter

THE FUTURE of the UK motor industry is in the hands of shop-floor employees and managers together, Sir Barrie Heath, president of the Society of Motor Manufacturers and Traders, said yesterday.

At the annual dinner of the Scottish Motor Trade Association, he said if workers did not produce the vehicles motorists wanted there would be an even greater influx of imports to satisfy the needs of a critical buying public.

"But there are good signs in our industry, and I think that, largely as a result of the recent BL ballot, we have reached a watershed in employee attitudes and relations," he said.

Most important

"I think that the ballot may eventually be regarded by historians as one of the most important events in British trade union history since that affair at Tolpuddle some 150 years ago."

He said BL employees had recognised the logic of the management plan. "Their decision confirms my confidence in the ultimate good sense of the British worker, when he is given all the facts and allowed to exercise his own judgment," he said.

Express drops computer plan for newspapers

BY JOHN LLOYD

THE EXPRESS Newspapers group, publisher of the Daily and Sunday Express, the Daily Star and the Evening Standard, has dropped plans for computer typesetting or photocomposition in the foreseeable future.

Mr. Jocelyn Stevens, managing director of Express Newspapers, said yesterday that events at Times Newspapers over the past year, and the Daily Mirror's problems introducing a partly-computerised system, had discouraged the group.

"There are no plans for introducing the new technology in the group for the moment."

The Express group had planned to follow a roughly similar road to the Mirror group's, also believing that members of the National Graphical Association, the compositors' union, should retain control over composing.

The Observer, however, the only other Fleet Street paper with plans announced to introduce new printing and composing technology, has installed Ferranti and Monotype systems and is training its printers on them.

Mr. Stevens believes that The Times settlement will make union demands, particularly in clerical sectors, more aggressive throughout Fleet Street. "I don't think, though, that it has introduced anything new into the situation in Fleet Street."

The group feels confident, however, to proceed with expansion plans in London and Manchester. It will:

● bring to London production of southern editions of the Daily Star, which has been established for just over one year, to use excess capacity on the Express presses.

● increase printing capacity by 12 units in London and 12 units in Manchester to allow the Sunday Express to expand from 32 to 48 pages, at a cost of about £8m.

● aim to expand the circulation of the Daily Star from 1m to 2m over the next few years. The extra capacity brought in for the enlarged Sunday Express will be used if the circulation approaches 2m.

The final decision to share production of the Star between Manchester and London depends on the agreement of the NGA machine minders chapel, which Mr. Stevens believes the group will get. The final deadline for bringing production to London is next July.

At the same time, Express Group aims to complete integration of the Evening Standard into the production facilities in the Daily Express' Fleet Street offices. Editorial, composition and make up are still done in the Standard building in Shoe Lane, off Fleet Street.

Bus reforms criticised

FINANCIAL TIMES REPORTER

GOVERNMENT proposals for relaxing licensing of bus operators were criticised yesterday by Mr. Robert Brook, chief executive of the state-owned National Bus Company.

Mr. Brook, addressing the Chartered Institute of Transport in London, said that without road service licensing in its present form public transport facilities in the UK would be reduced.

The British bus system was the best in the world and was maintained at a higher level than local authorities and central Government had any right to expect, bearing in mind the policies they had pursued.

Mr. Norman Fowler, the Transport Minister, will announce plans to remove many of the restrictions on prospective bus operators in the Transport Bill at the end of this month.

Marks opening in Dublin

MARKS AND SPENCER will today open its first store in the Republic of Ireland. The new store, costing some £10m, will open in Mary Street, Dublin, on the site of what was formerly Winston's department store.

Initially it will have 30,000 sq ft of selling space on two floors, but by the middle of next year the store will provide some 45,000 sq ft of selling space, plus stockroom facilities.

High-speed data service

BY JOHN LLOYD

THE POST OFFICE is to further expand its data transmission service by offering equipment which will allow computer-stored information to be sent through the telephone network at high speeds.

The service, to be known as Datel 4800, will allow the transmission of data at a speed of 4,800 bits — or data units — per second.

It is based on a modem — a modulator-demodulator which converts digital data signals into analogue form for transmission, then back again — designed for the Post Office by Plessey.

Datel 4800 incorporates test facilities which allow users to make their own checks on circuits or modems before calling up Post Office engineers.

The connection charge for the service is £200, with annual rentals of £700 or £750.

Import flood threat to British textiles

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE GATHERING problems in Britain's textile and clothing industry have led to a renewed appeal by one of its leaders for retailers to buy British.

Mr. David Cunliffe, a director of Carrington Viyella speaking at the Fabrex fabric exhibition in London, said that the erosion of the textile industry and of other industrial sectors would eventually affect UK retailers because of the effect the loss of jobs would have on spending power.

"We are constantly seeing consumer expenditure on clothing in the UK increasing; yet one of the major industries which helps create the wealth for this increase in expenditure is reducing in numbers and volume.

"There must come a time when, if this industrial trend is not reversed, our wealth will also decline. Short-term gains created by exploiting cheap sources of supply could lead to the longer-term disaster of industry, and in particular the clothing and textile industry."

Mr. Cunliffe blamed the stark difficulties facing the industry on the rise in value of the pound, which has enabled not only low-cost countries but other EEC countries and the U.S. to step up dramatically their penetration of the UK market. Exporting had at the same time been made more difficult and high interest rates had hit new investment.

In the first six months of 1979 imports of woven spun fabrics had risen by 27 per cent, woven filament fabrics were up 14 per cent and woven shirts were up 25 per cent.

In woven cotton and man-made fibre fabrics the deficit between UK exports to the EEC and UK imports had risen from 42m sq metres in 1973 to an estimated 133m sq metres this year. Imports of the main textile items from the U.S. virtually doubled between the first half of 1978 and 1979 and were still accelerating.

Mr. Cunliffe also blamed the rise in imports on the ease with which the UK market could be penetrated because of its highly-developed retail network and adherence to the concept of fair play. Other countries in the EEC checked the import flood by administrative delaying tactics or by ignoring the rules.

To sell fabrics in the U.S. market Britain had to surmount a higher duty barrier than was levelled against American products.

Mr. Cunliffe's warnings were echoed in a recent speech by Mr. Geoffrey Cope, chairman of Cope Sportswear in Leeds.

Mr. Cope said that more than 75,000 jobs were at risk in the industry—10 per cent of the total.

Mr. John Howard, chairman of the Fabric Buyers' Association and a director of Slimma, told the Fabrex seminar that a survey among association members showed that 58 per cent of woollen/worsted purchases were being made in Italy and only 28 per cent in the UK.

Fuel industry urged to give more aid to the poor

BY MAURICE SAMUELSON

PART OF the rising profits made by the fuel industry should be used to protect the poor from the full impact of increased prices, Mr. David Donnison, chairman of the Supplementary Benefits Commission, said yesterday.

He said the cost of fuel is expected to double during the next 20 years.

The electricity and gas industries should also help poor consumers use fuel more economically and pay for it in ways best suited to their budgets, he told the Fuels Poverty Action Group, in Glasgow.

For the longer term, he urged a comprehensive scheme of help with costs for all low income families. "It is only by first ensuring that the poorest people will be adequately protected that Ministers can justify charging richer people the more realistic prices for gas, electricity, housing, school meals or the other services which may be unavoidable," he said.

The help being given this winter by the Supplementary Benefits scheme to pensioner householders over 75, and to those with children under five, and the rise in the family income supplement, were welcome, but did not go far enough.

Paraffin prices, on which many poor people depend, are rising dramatically and drastic gas price rises were being discussed, he said.

"We need action now, before developments make fresh difficulties for more poor families, followed by yet another round of botched up emergency measures."

● At least 1.5m households will be worse off this year as a result of the Government's decision to do away with the electricity discount scheme, claims the National Consumer Council.

In a letter to Mr. Patrick Jenkin, Social Services Secretary, Mr. Michael Shanks, the council's chairman appealed to the Government to think again. The council bases its estimate of affected households on the overall figure of 1.5m households which received the discount last year.

Expansion at Chubb's plant urged

CHUBB CASH of Brighton, part of the Chubb Group, was yesterday urged to expand production instead of going ahead with 85 proposed redundancies next month.

Mr. Chris Darke, divisional organiser of TASS, the white collar section of the Amalgamated Union of Engineering Workers, said that his union was "absolutely opposed" to the redundancies.

Dundee port charges to rise

DUNDEE Port Authority has decided to increase its rates by 20 per cent from January 1. Previously, the port has limited its annual rate increases to 10 per cent.

Findus factory may create 1,000 jobs

BY ELAINE WILLIAMS

UP TO 1,000 new jobs could be provided in a high unemployment area near Newcastle following the decision by Findus, the food company, to set up a £20m factory.

Findus is to build a prepared food plant at a 22-acre site in Longbenton, outside Newcastle. It believes that the market for complete frozen meals will grow substantially over the next few years.

Newcastle has proved the most attractive site for two reasons. It has the available skills and is classed as a Special Development Area. As such, the company is eligible for a 22 per cent grant on capital expenditure.

Findus looked at other sites including Hull, where it has a fish processing factory—threatened with closure in April because of lack of fish. However Hull's classification as a development area meant that only a maximum of 15 per cent grants would be available.

The company said yesterday that it had announced its plans prematurely to avoid mounting speculation about the siting of the factory. A final decision on whether to go ahead with the project would be taken in the New Year.

The factory could be in production within two years from the start of building work. Thus, it may open in mid-1982.

Findus may well be eligible for further grants from Tyne and Wear County Council since a Private Bill passed through Parliament in 1976 empowers the council to make available grants and incentives in addition to those from the Government.

The company is the first organisation to have taken a site at Longbenton, a 200-acre green field site, three miles from Newcastle's city centre.

The North of England Development Council, which has had several meetings with Findus, said yesterday that it was delighted at the prospect of a labour-intensive factory moving to Tyneside.

Unemployment is running at an average of 10 per cent in the area although the male unemployment figure is between 12 and 13 per cent.

Earlier this year Findus sought Government help to keep its fish processing factory open. It received a temporary employment subsidy to keep the 270 jobs at Hull.

● Frozen foods grew by only 2 per cent in volume and 9 per cent in sales value last year—making the market in the UK worth £790m. This reversed a decline in 1977. Frozen foods are now poised for a more rapid growth over the next few years.

The growth areas are in meat and meat-related products, cakes and desserts. Last year, sales of frozen meat products were 63 per cent higher than in 1973. The trend towards more snacks and so-called fast foods is expected to accelerate the growth.

Thatcher hints at new move on Ulster

BY STEWART FLEMING

THE BRITISH Government will lay before Parliament a consultative document on Northern Ireland the week after next, Mrs. Margaret Thatcher, the Prime Minister, has disclosed in an interview with the New York Times.

The interview, claimed to be the first Mrs. Thatcher has given to a newspaper since becoming Prime Minister on May 4, took place on Friday in London and covered a wide range of issues.

A central element in it, however, is a discussion of British policy on Northern Ireland, a subject which is attracting increasing attention in the United States and over which there has been growing criticism of the British Government.

Criticism

What is seen as British inaction on Northern Ireland has been attacked from several quarters, and Mrs. Thatcher clearly sets out to counter this criticism.

She says that after listening to everyone the Government will have to make some decisions and say. "We are going ahead to try this or that—whichever we get the most support for."

She also indicates that the end of direct rule of Northern Ireland by Ministers in London will be one of the Government's goals—"We cannot just go on having direct rule, Ministers taking all the decisions."

Other topics included the EEC, the Atlantic alliance, and Zimbabwe Rhodesia.

Steel reduction plant may open

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE BRITISH Steel Corporation is considering starting up one of its two direct reduction plants, mothballed since their completion last spring.

The plants, built by the West German group Korf at a cost of £80m, are at Hunterston, on the lower Clyde, near the £100m ore terminal which began work yesterday after a six-month inter-union dispute kept it idle.

They are the first of their kind in Britain, designed to reduce ore to pellets of more than 90 per cent pure iron for use as an alternative to scrap, a basic feedstock for electric-arc steelmaking.

BSC has so far not run them because scrap has remained cheap, and because the Hunterston dispute cut off ore supply.

Jobs call

Now the second of those obstacles has been removed, and though scrap prices have dropped slightly in recent months BSC may operate one unit for a period, to test demand.

Its own electric arc furnaces at Sheffield could use direction-reduction pellets and BSC has talked to private steelmakers in the hope that they might also provide a market.

The Iron and Steel Trades Confederation has pressed BSC to start at least one plant to provide jobs for workers made redundant from other steelworks.

It could be some time before production can begin, since staff must be trained and the gas-fired kiln in one plant commissioned.

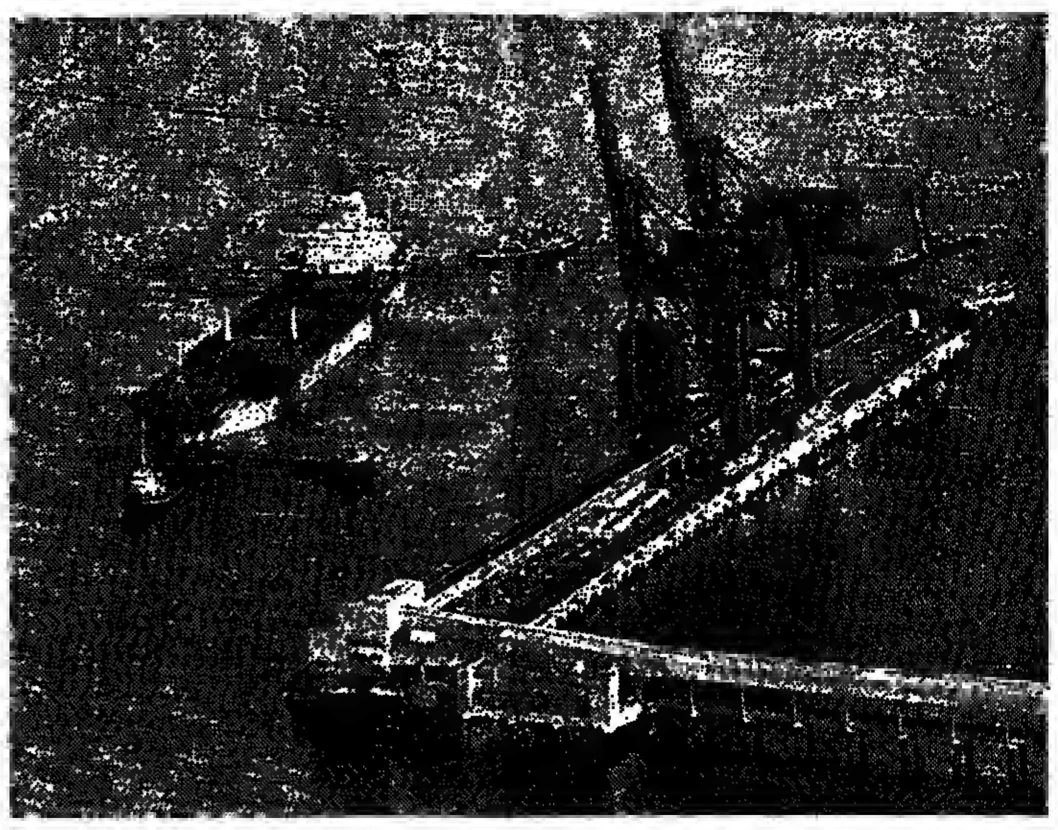
The Hunterston ore terminal took its first delivery yesterday, when a Norwegian bulk-carrier, the Ancora, began unloading 119,000 tonnes of Brazilian ore destined for the Ravenscraig steelworks at Motherwell.

A second carrier is due in two weeks' time and the terminal will also be used to unload coking coal on its way from Australia.

It may take as long as a month to build up ore stocks at Ravenscraig, but British Steel is confident that it can maintain production there, and has lifted the threat to close the works temporarily.

Mr. Jake Stewart, Scottish director of the corporation, said that using the Hunterston terminal would save £12m a year on handling ore for Ravenscraig, which should be moving towards a financial break-even point by March.

Output at the works has been 1.6m tonnes annually, but the decision to close Shotton steelworks and draw more than 500,000 tonnes of hot rolled coil steel from Ravenscraig should lift production to above the break-even level of 2m tonnes a year.



An aerial view of the Hunterston terminal.

NEB completes computer talks

Q1 CORPORATION of the U.S. and the National Enterprise Board have completed negotiations to set up a joint-venture to develop and manufacture multi-function micro-computers for sale in Europe.

The NEB will subscribe £2m for 51 per cent of the ordinary shares of the new company, Q1 Europe. It will make available a further £3m as redeemable preference shares. Q1 will hold 49 per cent of the ordinary shares and 51 per cent of the voting rights in exchange for its technology.

Two choices, says Methven

SIR JOHN METHVEN, director general of the Confederation of British Industry, called on management yesterday to take the lead over the very difficult period facing the country in the next 18 months.

Opening a factory at Ellesmere Port he said the alternatives were to continue to slide and become a divided society—or to learn to work together.

£3m draglines order for opencast site

TWO DRAGLINES worth some £3m have been ordered from the U.S. for the recently announced opencast coal site at Tanner's Hall, County Durham, by Lomount Construction, a subsidiary of Contractors' Services Group.

Lomount is to extract close on 1.5m tons of coal over the next 80 years at Tanner's Hall.

One of the machines, Britain's first Marion 195M HR4A electric dragline of improved design, with independent travelling motors to drive its crawler tracks, will be delivered for use next September.

It, like the other machine, is a 12 cu yd, 170-ft boom dragline. The second is a Bucyrus Eyrie 380-W walking dragline, also an all-electric model.

Freddie Mansfield

Clare Francis, Britain's round-the-world yachtswoman, and John Oakley, skipper of Lionheart, British entry for the 1980 Americas Cup, at the unveiling of a specially designed Rover V8. This was to launch a scheme to help raise funds for the British Challenge. For each of these special "Lionheart" Rovers sold by Heron Motors the fund will receive £100.

Group's cautious optimism for economy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A CAUTIOUSLY optimistic view of the medium-term outlook for the UK economy has been taken by Economic Models, a major London-based forecasting group, in its latest analysis published yesterday.

The group suggests that in the first half of the 1980s the rate of economic growth, as measured by real Gross Domestic Product, will average 2 per cent, compared with 1.7 per cent a year over the last decade.

Growth is expected to be virtually zero this year and next. However, the economy should grow by 2.3 per cent in 1981 and expand by an average of about 2 per cent after that. Both consumer spending and investment should be stronger than in the past decade.

The rate of inflation is expected to remain in single figures in the mid-1980s. Unemployment should rise to 2m by 1983.

Economic Models is more optimistic than some other groups. Staniland Hall Associates, for example, argues that fiscal and monetary policies in the UK are likely to lead to a fall in output in the first half of next year and an average annual increase in output of only 1½ per cent a year over the five years to 1984.

Staniland Hall argues that the period of rapid growth of real incomes is finished. But over the next five years, real incomes should still rise by 3 per cent a year.

There is disagreement among forecasters about the prospects for the current account of the balance of payments. The Henley Centre for Forecasting, for instance, projects a surplus of £1.45bn next year, while stockbroker T. C. Coombs forecasts a deficit of £2.8bn.

Tank workers on short-time

ABOUT 1,400 workers in Vickers defence division at Elswick, Newcastle upon Tyne, will start short-time working this week because of a drop in orders for tanks. They will work from two to four days a week.

BL cash help tied to pay agreements

BY IVOR OWEN

BL'S HANDLING of current wage negotiations—it has offered a 5 per cent increase and a self-financing incentive scheme in response to a 20 per cent claim—will be crucial in determining whether it receives any more State finance.

Sir Keith Joseph, Industry Secretary, told the Commons that successful conclusion of a new wages and conditions package would be regarded by the Government as more important than the outcome of the recent ballot.

In the ballot, the workforce voted overwhelmingly in favour of BL's plan to axe 25,000 jobs and close or partially close 13 plants.

Sir Keith, who was accused by Labour MPs of seeking to impose curbs on pay increases in the public sector while leaving the private sector to negotiate freely, answered: "No" when asked if the Government had an incomes policy.

Mr. John Silkin, Labour's shadow Industry Minister, contended that a letter from Sir Keith to the chairmen of nationalised industries, giving guidance on conduct of future wage negotiations, contradicted Government assertions that it would not intervene in management of industry.

Mr. Jock Bruce-Gardyne (C. Knutsford) strongly attacked a phrase which, he said, indicated that wage increases should not exceed the growth in the Retail Price Index.

He maintained that this made nonsense of the concept that while it might be justifiable for profitable State concerns to offer pay increases, other State industries, such as BL, British Steel Corporation and British Shipbuilders, were in no position to offer any increase.

Sir Keith said that the letter had made it clear that nationalised industries could make different responses in their conduct of pay negotiations. Supply and demand must be considered, together with market position, scope for higher productivity and other factors which Mr. Bruce-Gardyne knew to be essential.

Sir Keith said there had been no reference to earnings as such being below any particular level.

"There was a recognition that labour costs are a very important factor in total costs and if cash limits were adhered to it was essential for real factor costs, including labour costs, to trend downwards."

Mr. Kenneth Lewis (C. Rutland and Stamford) argued that there was a need to differentiate between the public and private sector but Sir Keith underlined the restraint placed on the private sector by the need for each individual firm to avoid bankruptcy.

Questioned about the allocation of the £225m still outstanding from the £1bn already pledged to BL by the former Labour Government, Sir Keith insisted that the timing was not a matter for him.

Mr. Jeff Rooker (Lab., Birmingham Perry Barr) pressed Sir Keith for a commitment that as the workers had backed the plan for BL, the Government would do the same.

Sir Keith replied: "You are missing the point. What the Government will need to consider is the performance and likely performance of BL management and workers, and the reaction of the workforce to the current pay and conditions proposals put to them by BL.

"This will have more significance in the Government's mind than the result of the ballot."

Joseph guarded on Rolls-Royce

BY IVOR OWEN

SIR KEITH JOSEPH, the Industry Secretary, gave little away in the Commons yesterday when questioned about the likely outcome of the bid by Rolls-Royce to free itself from the National Enterprise Board.

He admitted that the proposal that Rolls-Royce should become directly answerable to the Department of Industry was under consideration. An announcement would be made when a decision had been reached.

Mr. Michael Grylls (C., Surrey NW) assured Sir Keith that there was great support for his firm stand against the objections raised by the NEB.

He maintained that the transfer would be far better than allowing Rolls-Royce to stay in the "bureaucratic mess" of the NEB.

Mr. Grylls added that if the NEB threatened to resign if the transfer took place, the resignation should be accepted and millions of pounds of taxpayers' money saved by the ending of this "bureaucratic gravy train."

Sir Keith was guarded in his reply but pointed out that the NEB had a substantial job to do even with the reduced role envisaged for it under the terms of the Industry Bill now before Parliament.

Mr. Jock Bruce-Gardyne (C, Knutsford) suggested that there was a good case, from the taxpayers' viewpoint, for saying that Rolls-Royce should remain in what Sir Kenneth Keith, its chairman, had described as a "bureaucratic contraceptive."

He criticised Rolls-Royce for accumulating orders regardless of the fact that there was little visible prospect of securing an acceptable return on them.

Sir Keith replied that it was necessary to bear in mind the assumptions made by Rolls-Royce about the exchange rate in its hugely successful drive for orders. Those assumptions had been common to many parts of British industry.

Roger Taylor

CHANCELLOR'S HAND-ME-DOWNS: Sir Geoffrey Howe (above) wears the Chancellor's ceremonial robe to go to the Law Courts for the nomination of new high sheriffs.

The black silk satin robe, which weighs about 15 lbs and is identical to the robes worn by the Lord Chancellor, was made in 1887 for the then Chancellor of the Exchequer, Mr. George Joachim Goschen. It was passed down through various Chancellors and is believed to have been worn last in 1915 by Mr. Reginald McKenna. It now belongs to the Treasury.

It is traditionally worn over court dress or with the ceremonial dress associated with the wearer's profession. Sir Geoffrey wears it with the court coat and vest, knee breeches and steel-buckled shoes of a Queen's Counsel, and a plain tricorne hat.

Tory deal with Muzorewa feared

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

FEARS THAT the Government intends doing a separate deal with Bishop Muzorewa on Rhodesia were voiced in the Commons last night by Mr. Alexander Lyon (Lab, York) as the Southern Rhodesia Bill began its committee stage.

Mr. Lyon again expressed Labour suspicions that the Government is planning to implement the Bill even if no agreement is reached with the Patriotic Front at the Lancaster House talks.

The legislation enables the Government to return Rhodesia to legality by the appointment of a British Governor in Salisbury.

Mr. Lyon feared that if no agreement was reached with the Patriotic Front, the Governor could find himself pursuing the war against the guerrillas.

In that event, Britain would for the first time be involved directly in the conflict.

Mr. Lyon moved an amendment stipulating that an agreement must be reached by all parties to the Lancaster House talks before the Government can grant a new constitution to Zimbabwe-Rhodesia.

Mr. Lyon, who has emerged as the leading Labour backbench spokesman on the subject, pointed out that Bishop Muzorewa had now sent his delegation back home to get ready for the new elections in Rhodesia.

"What are they doing that for?" he asked. "Can it be that the Government has already decided it is going to do a deal with Muzorewa and he has gone back because he knows it is in the bag?"

Bishop Muzorewa had said that he would not agree to a Commonwealth force taking over the role of the present security forces in Rhodesia during the election.

Therefore, he must know something that was not known to British MPs at Westminster.

Mr. Lyon said that one of the central issues was the question of who would control the security forces during the elections. The Commonwealth, he understood, was prepared to provide 30,000 troops—enough for the total security of the country.

The British Government, however, had resisted that on the grounds that a military commitment should be based on a limited number of observers.

The Government, he said, was proposing that the observers should watch over the existing security forces who would retain their weapons.

Mr. Lyon suggested that the Patriotic Front and the Commonwealth were far more likely to ensure a peaceful and completely fair election campaign.

This was a considerable issue of difference that had not been settled. With such matters still outstanding, he wondered how Conservative MPs could still support the Government in getting the Bill through.

Mr. Lyon did not take the view that an all-party settlement was imminent at Lancaster House. If the legislation went through, Parliament could be faced with an intolerable situation.

He wanted to know what would happen if, in the absence of an agreement, the British Governor was put into Salisbury with British troops committed as observers.

It would put Britain in the middle of the fighting.

BBC cuts revolt sidestepped

By Richard Evans, Lobby Editor

THE GOVERNMENT has backed away from a confrontation with many of its own backbenchers over the proposed cuts in the BBC's external services, which are to be debated in the Commons tonight.

Instead of opposing e motion that there should be *no cuts in the BBC's budget* for its overseas services—tabled by Tory rebels and supported by the Opposition—the Government is to accept it. It is therefore unlikely that there will be e division.

The reason for the apparent about turn is that Ministers argue there has been no cutback and the budget will expand next year by nearly £5m even after the proposed cuts of £2.7m.

The original intention was to close down seven foreign language services hut there was such an outcry from Tory MPs that e face-saving formula was found with the BBC involving deferment of capital spending to improve andibility in Eastern Europe.

Although some Tory rebels found this acceptable, others did not. One described it as "a shoddy and short-sighted compromise" that would adversely affect some of the most vital services.

Rather than still face the posibility of defeat, which could have damaged credibility over the enforcement of other spending cuts, the Government has decided to take advantage of the wording of the motion and avoid a vote.

Some of the Tory rebels still intend to continue their fight against any cuts in the budget for overseas services, but the beat will probably go out of the campaign now that the vernacular services have been saved.

The next campaign to be launched by Mr. Julian Critchley, (C., Aldershot and tha leading rebel on the overseas services) is over tha *British Council's budget*.

Mr. Critchley, with the support of five other backbenchers, tabled a motion last night praising the work of the *council* and *expressing* anxiety "lest further cuts in its activities at present under review take place leading to e 25 per cent cut in its activity and a 40 per ceot reduction of staff."

● JURY VETTING: An urgent debate on jury vetting was demanded by Labour MPs last night. Mr. John Morris (Lab, Aberavon), said there was "grave disquiet" about jury vetting, and Mr. Bob Cryer (Lab, Keighley) called for a "clear and open" debate on the issue so that the public need no longer "fear that there was something funny going on behind closed doors."

LEADERS' TRIBUTE: Mr. James Callaghan (left), Mr. Harold Wilson, Mrs. Margaret Thatcher and Mr. Edward Heath at the unveiling of a memorial statue to Lord Attlee.

Selection advice sought

By Philip Rawstorne

THE LABOUR Party is to take legal advice on the terms of its new rules for the mandatory re-selection of Labour MPs.

This was decided by the party's organisation committee last night after a report from Mr. David Hughes, the national agent, on errors in the drafting of amendments to the party constitution.

Mr. Hughes suggested that the wording of the new rules—one of the reforms secured by the Left at this year's conference—could render the party vulnerable to legal action from rejected MPs.

Local parties will not be allowed to implement the re-selection procedures, which are seen as a threat to the positions of some two dozen right-wing Labour MPs, until the situation has been clarified.

If the party's lawyers confirm that the rules are open to question in the courts, the reform may have to be delayed until they are re-defined by the conference next October.

Mr. Eric Heffer, chairman of the committee, said last night that the issue would be considered again at a meeting next month.

"The conference decision was quite clear, the committee endorse it, and we are fully determined that it should be implemented," he said.

Union visit

● TOUR COSTS: A trade union study visit to America to examine the micro-electronics industry, which included union leaders Messrs. David Basnett, Frank Chapple, Joe Gormley, Clive Jenkins and Bill Sirs, cost the taxpayer "under £1,000," Industry Under-Secretary David Mitchell said yesterday in a Commons written reply.

Vauxhall offer close to full acceptance

BY PHILIP BASSETT, LABOUR STAFF

VAUXHALL MOTORS yesterday all but secured complete acceptance by its 26,000 manual workers of a 17 per cent pay offer when 270 machine setters at its Ellesmere Port plant, Merseyside, voted by about 3-to-2 to end their 10-week-old strike.

National union officials will now take up with the company their grievance that the pay offer establishes a 3p per hour differential for 1,200 fitters at the plant.

Mr. John Lewis, the setters' senior shop steward, said they did not regret their strike, which went on for two weeks after production workers voted to return to work. He said people were now aware of their existence and that they were not to be trifled with.

He denied that the decision resulted from letters received by the setters at their homes before yesterday's meeting from Mr. Don Vallance, plant manager, which said that their action was jeopardising the future of the plant.

The letters are part of a series which the company has sent out raising questions which also are being asked privately by union officials about the future of the traditionally more militant plant.

The setters started to return to work last night. Production workers are likely to be recalled on a phased basis later this week. Full production is expected to be resumed next week.

The remaining 1,500 workers laid-off at Vauxhall's Luton and Dunstable plants will start work from Thursday. Engineering workers' shop stewards at Dunstable have said they will not hold a meeting on the company's offer until all the workforce has been recalled, although any meeting is expected to accept the package.

The company yesterday said the strikes had cost it 34,000 vehicles with a showroom value of more than £125m. A settlement on the pay offer has soured industrial and inter-union relations, particularly between Ellesmere Port and the two southern plants.

The southern plants' early acceptance of the offer and the welter of legal actions surrounding the Ellesmere Port strikes could lead to difficulties between southern drivers and Merseyside workers when Ellesmere Port resumes normal working. Ellesmere Port stewards have said they will not sit at the same bargaining table again as southern stewards.

Despite the strikes, the company hardly altered the package after its first tabling. It raises wages of top-rate craft workers, including the fitters, from £86.80 to £100. Middle-grade production workers move from £77.20 to £87.80 and bottom-grade from £68.20 to £77.80.

The deal also includes holiday improvements and agreement on performance and productivity.

Cuts 'magnified' in Ulster

BY OUR BELFAST CORRESPONDENT

MR. LEN MURRAY the TUC general secretary, said in Belfast yesterday, that the effects of public spending cuts were being magnified in Ulster because of the region's already intolerable unemployment levels.

Mr. Murray, who led a TUC delegation in talks with the Northern Ireland Committee of the Irish Congress of Trade Unions, said the area's unemployment and inadequate social provision had been a major contribution to the present troubles.

"This represents a very sharp and effective picture of the consequences of the kind of policies being pursued by the present Government," he said.

Mr. Murray, who was accompanied by members of the TUC's General Council and by Mr. David Basnett, chairman of the Economics Committee, said they agreed with the Northern Ireland Committee that the province should be treated as a special case, even an extreme case.

It was difficult to impress the gravity of Ulster's position of workers in Britain who were oppressed by their own problems, but the TUC was trying to introduce the "Northern Ireland dimension" into the British economic argument.

"The economic and social problems of Ulster underline the inadequacies, even the dangers, of present Government policies and emphasise the need for a positive strategy of growth, the acceptance of new technology and Government involvement in generating new investment and promoting trade," Mr. Murray said after the talks at Transport House, Belfast.

The Northern Ireland Committee's present "jobs action programme," which calls for a State development body representing Government, industry and the unions, meshed neatly into the TUC's overall policy, he said.

Improved pay offer expected by miners

BY OUR LABOUR EDITOR

MINERS' LEADERS expect the National Coal Board to improve its pay offer today, but they are unlikely to be content with much less than about 20 per cent.

The real bargaining on wage rates opens at NCB headquarters now the National Union of Mineworkers has accepted the board's plan for a staged return to the traditional November 1 pay anniversary.

The board has so far put forward an outline offer worth between 11 and 15 per cent, and says that is all the money it has immediately available.

But that offer has twice been rejected by NUM negotiators, who clearly believe the board will have to find some more money now the serious bargaining is beginning.

The union's original claim was for increases of between 30 and 65 per cent, to give surface workers at least £80 a week and faceworkers £140.

It also demanded e four-day week, a return to the November 1 negotiating date, and protection of earnings for underground workers forced by ill-health to take lower-paid surface jobs.

The union negotiators—who split 7—7 on the timing question—appear to have no fixed fall-back demand, but an offer less than the current rate of price inflation is unlikely to satisfy them.

Mr. Joe Gormley, NUM president, hopes to conclude the negotiations by the end of the month.

The union has modified the form of its claim to the extent of seeking a common percentage increase for all grades.

A working party has been set up to consider the demand for a shorter working week. Meanwhile, according to the union, the board has conceded the important principle of protection of earnings, and will discuss earlier retirement for surface workers.

The offer so far consists of £140m, of which £20m would be for the improvement of various allowances. The miners are also due to receive a payment for "washing and winding time" from January 1, as part of the last settlement, in March this year.

In keeping with the Government's declared policy on pay bargaining, energy ministers have kept strenuously aloof from the miners' negotiations.

Electricians defend call for ballot

By Our Labour Correspondent

THE POSITION taken by the Electrical and Plumbing Trades Union in the recent national engineering dispute, when it threatened a unilateral ballot of its members, was defended yesterday by Mr. Eric Hammond, a member of the electricians' executive.

Mr. Hammond, an EETPU national engineering committee of shop stewards was convinced that a decision on industrial action should be taken by all the workers in the industry, said Mr. Hammond, writing in Contact his union's journal.

But the other unions involved refused, and "even when the industry was faced with total closure" the Confederation of Shipbuilding and Engineering Unions would not give workers a direct vote.

"It is inevitable that we will continue to have distinctive attitudes so long as we base those attitudes on a wider section of our members than do other unions.

"Our step is determined by the clear beat of democracy's drummer. We cannot turn back—it is for others to catch us up."

Media writ for McShane

THE Institute of Journalists has issued a High Court libel writ against the former president of the rival National Union of Journalists over publication of the book. Using the Media.

The writ claims damages against Mr. Denis McShane, NUJ president in 1978-79, Pluto Press, Marylebone, London, and Cox and Wyman, of Reading, Berks.

The IOJ seeks damages and an injunction restraining further publication of the book, which first appeared in *September*.

Savings staff suspended

THE Department of National Savings yesterday suspended 207 civil servants at its Cowglen, Glasgow, headquarters.

The staff, clerical workers and machine operators, are members of the Civil and Public Services Association, which has been banning overtime as part of its campaign against Civil Service expenditure cnts.

Another 93 civil servants at Cowglen have been warned that they face suspension later this week *unless* they resume normal working. The office's staff of about 4,000 run the National Savings Bank.

The department said yesterday: "At the moment we should be able to maintain the current work."

The union said that almost all its 3,500 members at the Cowglen office walked out when the *suspensions* took effect. They would return to work today but bans on overtime, substitutions and temporar ypro*motions would remain*.

Better deal for chemists

FINANCIAL TIMES REPORTER

A NEW payment formula which could give the 9,640 retail pharmacists in England and Wales an extra £36m has beeo suggested in an independent report now being considered by *Ministers* at the *Department* of Health.

The report, drawn up by the Independent Profit Assessment Panel, recommends that retail chemists should be allowed a 27 per cent return on capital instead of the present 16 per cent. The panel wants the revised formula to be backdated to 1976.

The formula itself would be worth some £16m and the backdating would be worth e further £20m.

But the report also says that pharmacists may have been overpaid by as much as £26m because of the breakdown of resale price maintenance. Drugs are one of the few products on which resale price maintenance has been retained but in the last few years there has been increasing evidence that wholesale chemists and their retail customers have been finding ways round it.

The National Health Service has been paying the full resale price of drugs, even when chemists have boogbt them et a discount. In its report, the panel has called for an inquiry into discounts.

It hopes the new payment formula will help slow the rate at which retail pharmacies have been closing in the last few years. It is claimed that they are closing at the rate of one e day.

Mr. David Sharpe, president of the *Pharmaceutical Society*, said yesterday that ha presumed the Government would accept the recommendations. He pointed out that the panel had been set up by the previous Government with the consent of the Conservative Opposition and stated that pharmacists expected the report to be implemented from January, 1980.

Busmen's secretary appointed

THE Transport and General Workers Union has appointed Mr. Bill Morris, a Northampton district official, as national secretary responsible for the union's busmen.

Mr. Morris will be the first black official to reach so senior a post in the union. He succeeds Mr. Larry Smith, who has been promoted to executive officer.

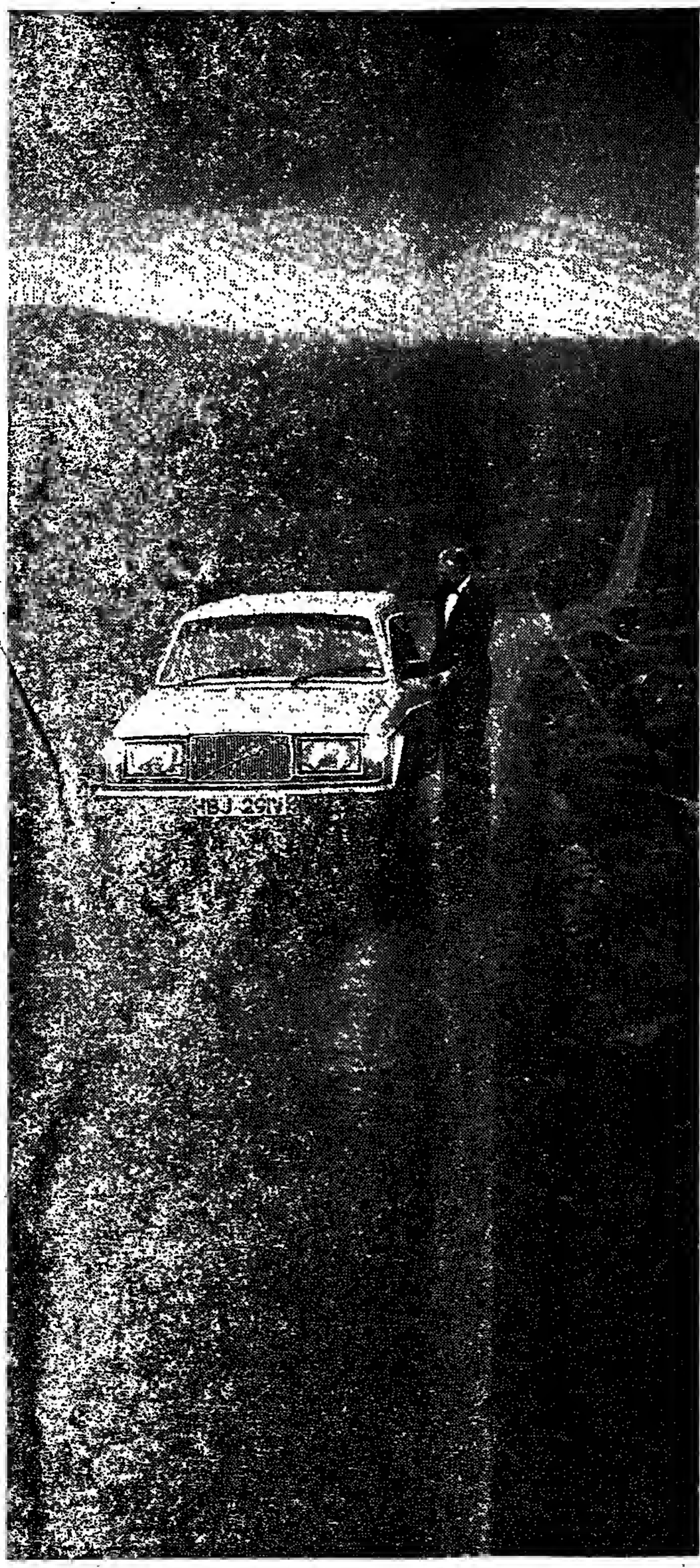
"My car couldn't have chosen a more desolate spot to break down. I abandoned it with ill-disguised anger and started walking.

I had been going for maybe half an hour when a Volvo estate drew up beside me. Such is my dislike of the car, that had it not been raining I would have waved the driver on."

Let me start by admitting to a certain amount of irrationality when it comes to cars.

I have always bought cars that are faster than they need be, more luxurious than they should be and more expensive than they've any right to be.

In short, when on four wheels, I am a confirmed seeker after pleasure.



In the opposite corner, I always imagined were Volvo. Austere, frugal and eminently sensible.

The kind of car your mother would say was good for you.

Judge then my feelings as the Volvo stopped beside me on that rain-soaked road.

The driver was not some elderly hill farmer but a man I would not have put much above thirty-five.

"Can I give you a lift?" he enquired as he held open the door. "I passed your car down the road–beautiful looking machine."

As I slipped into the passenger seat I noticed that I was sitting on real leather. (The first of many discoveries I was to make that evening.)

"Let me introduce myself, my name is James Durban." When on the defensive, I invariably hide behind formality.

My rescuer was more relaxed and told me that his name was Tony and that he had a house some twenty miles away.

"Have you driven far?" I asked.

"About 300 miles" he answered. "But it's very easy in the Volvo. The 265 is a very long-legged car."

"You must have spent a fortune on sound insulation" I said with an ear to the uncannily quiet performance of the engine.

"Not a bit. It's a 6-cylinder engine. 2·7 litres with fuel injection and a light alloy block. And as you can hear very quiet."

The conversation was taking a turn that displeased me. As he steered the car expertly through the narrow country roads I attempted to steer the conversation towards more general topics.

"What do you do?" I asked.

"I'm a writer and I deal in antiques. I've just bought the coffer you see in the back."

I turned round and noticed that the rear seats had been folded flat and that we were travelling with a beautiful oak chest at least 6 ft in length.

By now I was beginning to go through that most uncomfortable of human emotions – a change of mind. However, I wasn't about to give up without a struggle.

"Yes a jolly practical car the Volvo, but it's a bit short on the creature comforts don't you think?"

Looking back I'm surprised he didn't turf me out there and then. Instead, he simply defeated me with facts.

"Well," he began, "there are a few standard features you might appreciate. Like air-conditioning, electric windows, power steering, heated driver's seat..."

"How thoughtfully Nordic" I muttered gracelessly.

He continued with a light smile, "Metallic paint, electrically operated door mirrors, heated rear window, central locking."

I interrupted him. "Alright, point taken. And I suppose you still haven't come to things like a cigar lighter, electric clock and a light in the glove box?"

"Exactly" he replied. "The Volvo has all of those, not to mention stereo speakers in the front doors."

The rain had begun to ease and as my clothes dried out I recovered a little of my customary good humour.

"Well, it's certainly more comfortable than I thought, is it expensive?"

"With the automatic gearbox it runs out at £9,868."

When I thought of what I had paid for the piece of exotica languishing on the road some fifteen miles behind us, I was stung to one last justification.

"Of course, my car is much faster. I can reach 150 mph on a good dry road."

"It's not quite so fast in the wet though, is it?" He asked the question in the mildest voice possible. To my credit, after a moment's hesitation, I burst out laughing.

"Touché" I said and for the rest of a very enjoyable journey we talked about antiques. The Volvo 265.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● RESEARCH

Making the micros work together

AN ENORMOUS amount has been written so far about the benefits of using microprocessors but relatively little about the difficulties of rapidly putting them to use in a form that will allow the average engineer/scientist, with a modicum of computer training, to gain an immediate advantage from them.

One project aimed at doing just this is called Demos by its originators the National Physical Laboratory and Scicon, the latter having the task of commercialising the outcome.

For once, it appears that Demos has no acronym, nor is it truly a product in the accepted sense. What it is, in effect, is a novel method of putting together a number of small computers, minis or micros, and treating them to all intents and purposes as if they formed one large machine.

One immediate result of this method of approach is that the programming problem becomes less time-consuming, if considerably more subtle. But, at the same time, Demos dispenses with a complex generalised operating system and, instead relies on one which is application-oriented. Each processor in the arrangement has its own store, the system is not a dispersed one, and it is programmed as if it were one unit.

Notionally, the method would be suitable for handling from five to 50 processors and instruction rates of typically 12m per second. A large conventional machine would run at around 5m and one of DEC's powerful minis, the PDP 11/70, at 0.4m.

Prototype equipment is based on three Argus 700F machines at the National Physical Laboratory, each with a 10MB disc, connected temporarily into the NPL "information ring main." By January this should be running at 6m words/sec.

Demos has been selected by European Space Agency for a major project covering the simulation of satellite subsystems and space experiments and able to link together up to 32 minis or micros.

Meanwhile, a big effort is being put by the two partners into yet another development which will harness together 16 of the powerful and relatively new Intel 8086 micros to run on the ADA real-time language evolved for the use of the U.S. military, among others. It should be ready for demonstration during the first quarter next year.

Scicon sees ADA emerging as the most important of the languages for use in real-time working and it is probable that, in Britain, over the next few years bids for military work will offer it as well as the UK-backed Coral 66.

Involvement with Demos and ADA/Scicon will undoubtedly take it further into the real-time world where it already has seven message switching and 18 front-end systems in and operating and is developing five new systems for depot automation.

This systems and service house is also deeply involved in manufacturing.

Scicon Consultancy International, Sanderson House, 49 Berners Street, London W1P 4AQ. 01-580 5599.

Impact of technology

RESEARCH WORK paid for on a subscription basis is to be undertaken by the Human Sciences and Advanced Technology (HUSAT) research group at Loughborough.

This may well be the first time this kind of scheme has been applied where a university team considers the needs of a particular industry, plans appropriate research and then invites industrial concerns to support it on a subscription basis.

HUSAT, which includes experts in ergonomics, psychology and related sciences, is a group within the University's Department of Human Sciences. The group is concerned with human factor problems, particularly in methods of applying advanced technologies, ranging over many problems from the effects of computerisation and automation to the evaluation of particular examples of complex machinery.

Emphasis will be on the computer and microprocessor side of modern developments, and HUSAT's aim will be to study ways in which these can be best adapted to the needs of the individuals who are to work them. Concentration will centre primarily on individual people's confidence, comfort and efficiency when using the equipment. Experience has shown that this almost invariably leads to improved morale and efficiency within the whole organisation.

Typical proposals are "Work Organisation and Rest Pauses for Users of Visual Display Screens" for which about 25 subscribers or joint sponsors will be invited to contribute £600 each; The Use of Word Processors (25 at £650); and Communicating with Machines by Voice (11 at £950).

For this contribution the sponsor will be sent full reports on the research, receiving useful results normally in a matter of months—a substantial benefit in return for a relatively small payment.

Loughborough University of Technology, the Elms, Elms Grove, Loughborough, Leics. LE11 1RG. Loughborough (0509) 63171 extension 393 or 392.

● HANDLING

Moves heavy equipment safely

ANYONE WHO has seen heavy tracked equipment being manoeuvred up timber baulks and on to the deck of a trailer need not be told that it is a skilled and somewhat dangerous operation.

Offering a major simplification is equipment from low-loader specialist King Truck Equipment a beam deck trailer that sharply reduces the overall height of transported cranes and other large items of tracked plant and equipment.

The trailer's narrow (4 ft) beam deck locates between the tracks and supports the undercarriage of the crane/plant, leaving the tracks suspended over the sides of the deck. This, combined with the low deck height (25 in, nominal, laden), effects the significant reduction in overall load height.

The deck is lowered/raised by a hydraulic gooseneck which detaches to allow drive-over loading and unloading.

The trailer, supplied by Cadzow Plant, Hamilton, has a 50-ton payload capacity and will be operated behind a Scania 6 x 4 tractor unit, giving an overall outfit length of 66 ft. The rear bogie is a King rear steer dolly, assisting manoeuvrability in tight situations.

Carrying one of Cadzow's Ruston Bucyrus 38RB Series 2 excavators, the overall height is only 14 ft, compared with a height of 15 ft 3 in when carried on a conventional low loader. The beam deck is 26 ft long by 4 ft wide and it has sunken shackles for securing the load. It also has outriggers which can be used to widen the deck for ordinary load carrying. The gooseneck is a King H60 Hydroneck.

Additional full width decks with various lengths are available with this trailer and standard form capacities up to 80 tons are possible.

King Truck, Riverside Industrial Estate, Market Harborough, Leics., LE16 7PX. Market Harborough 7361.

● DATA PROCESSING

Share facts will be in colour

SIGNIFICANT in the announcement that the Stock Exchange in London has placed an initial order for 100 viewdata terminals to be used on its Topic price information services, is that the order has gone to a newcomer—Bishopsgate Terminals.

Formed only a few weeks ago by Hambros Bank, the Modcomp minicomputer maker (which is now joining force with AEG Germany), and Alphameric Keyboards, Bishopsgate claims to be providing its equipment wholly from UK sources—modems by Pye, colour displays from Sony at Bridgend and keyboards made by Alphameric.

The Stock Exchange's chosen terminal will also have the ability to gain access to the Prestel service and show programmes from the various TV channels.

Over the next three years, it is expected that Topics (teletex output of price information by computer) will take some 2,000 terminals—around £2m worth—and that the ultimate requirement for this system will be 5,000.

Bishopsgate hopes for the lion's share.

In the meantime, according to Mr. H. E. Fitzgibbons, a director both of Hambros and Bishopsgate, many outlets are developing very rapidly for the terminal design mainly because other offerings on the market are generally adaptations of equipment developed primarily for home viewers' use and not completely suitable for private viewdata systems.

Because of its composition, Bishopsgate will be a prime contender for the supply and installation of private viewdata systems both in Britain, where it will compete strongly with Philips and GEC, and in the U.S., where direct competition will not appear till GTE gets down to it.

Bishopsgate Terminals, 41, Bishopsgate, London EC2. Alphameric Keyboards, Manor Wey, Old Woking, Surrey. 04862 71555. Modcomp, Molly Millars Lane, Wokingham, Berks. 0734 788711.

● PACKAGING

Wraps and packs the biscuits

ROUND, SQUARE or rectangular biscuits can be stacked into rectangular pile packs with six-sided corrugated paper protection and a single or double overwrapper with a machine known as the RF 380 now added to the range of Rose Forgrove, Seacroft, Leeds.

Production speed is up to 30 packs per minute, says the company, and only one operator is required to supervise the advance-design pile feeder which can be fed with a minimum of channelling from an existing packing table, or by hand, and incorporates a pressureless feeding system.

Wrapping section is designed to give the operator maximum access and good visibility and a comprehensive fault-finding panel also enables him to rapidly identify and correct malfunctions.

Runs machines efficiently

BOEING Computer Centres is supporting in the United Kingdom system analysis and resource accounting, "SARA."

This application package has been used successfully by Boeing in the U.S. to improve computer system management. The package is designed for IBM 360 and up, Honeywell GCOS and Univac 1100, and can be used instead of or complimentary to hardware monitors.

SARA provides three methods of producing reports from the computer's standard accounting file. The first processes raw accounting file data to produce a standard set of reports plus a comprehensive data base used in subsequent analysis. The second uses this data base and displays graphically historic data to show trends and future requirement projections. The third is a powerful report writer which allows managers to service their individual information requirements based on the computer's accounting data.

With the product, the computer manager can judge accurately overall computer utilisation, operational problems and job by job characteristics, which is vital to the efficient management of a data centre and to the assessment of new equipment requirements.

The system is available on perpetual licence at a fraction of the cost of hardware monitors and is backed by the support of Boeing, the company asserts.

Boeing Computer Centres, St. Martin's House, Clarendon Road, Watford, Herts. Watford 38321.

● PROCESSING

Recovery of silver

WITH THE continuing escalation of precious metal prices, the recovery of silver from the fixing baths in photographic laboratories becomes ever more attractive.

The basic electrolysis technique has been employed for many years, but in a machine called El Toro, made by AB Nils Christiansson in Sweden and available in the UK from A. Johnson and Co. (London), moving parts such as rotating anodes have been designed out and the spent fixing solution from the photoprocessor is kept in motion by means of a pump.

Current through the unit can be adjusted up to 10 amperes and the deposition rate is about four grams of metallic silver per hour, per ampere.

The cathode upon which the metal collects is a stainless steel cylinder, the anode a carbon rod. The cylinder is easily extracted and the silver scraped off with a plastic spatula.

The equipment measures 310 x 430 x 520 mm and weighs 13 kg.

More from Aldwych House, Aldwych, London, WC2B 4EL (01-404 0755).

● BANKING

Prevention of fraud

NATWEST IS to use the high security Emidata "Watermark Magnetics" stripe system on 5.2m of its cheque guarantee cards. These will be issued to the bank's customers starting in 1980.

Watermark was originally developed by EMI's Central Research Laboratories (CRL). In an era of "plastic credit" CRL's development of a reliable and infallible method of confirming the authenticity of a credit card has been regarded, on both sides of the Atlantic, as a major breakthrough: this is confirmed in the U.S. by the award to CRL of one of the much coveted industrial research—IR100 awards for 1979.

The technique of watermark magnetics involves structuring a code into the magnetic recording tape during its manufacture. The code is fixed into the tape in such a way that it is given magnetic patterns which cannot be altered or erased. The patterns are arranged during the production process so that they form binary codes. With a recording density of 40 bits per centimetre a credit-card-length piece of tape can accommodate up to 25 alphanumeric characters.

Therefore, for all practical purposes, the number of cards that can be issued, each card carrying its own unique and unalterable identification data, is not limited.

Bonded into plastic cards "watermark" tape bars the use of fraudulently prepared bank cards, prevents the transfer of data from a valid card to a false card (known as "skimming") and combats various other threats to card security.

Readers supplied by Emidata can distinguish between the permanently encoded Watermark and any subsequently over-recorded information the issuing house may wish to impose. The cards can, therefore, still be used to carry normal magnetic data and be read using a standard reader in circumstances where the high security offered by the Watermark encoding is not required.

Emidata, Alma Road, Windsor, Berks. Windsor 53111.

● HEATING

Control of furnaces

OFFERED BY Alan Bennett of Sheffield are power regulators for resistive and semi-inductive loads such as furnaces and ovens covering the one to 1000 kW range.

By altering circuit links the regulator will alter the feed to the load either by phase angle firing of the thyristor devices or by burst firing, in which the cross over point on the mains waveform is detected and the input is switched on and off for a whole number of cycles, thus varying the average output to the load. Single or three phase loads can be accommodated and the company emphasises that all known types of heater can be fed.

The AC output is variable between 0 and 98 per cent of the mains voltage; input control can be manual using potentiometers or remote from 0 to 5, 0 to 10 or 4 to 20 mA sources. Alternatively control can be via a programmed logic controller.

Input circuits are particularly suitable for centralised control whereby a user can impose peak kVA demand-limiting on several heavy loads which, if operated independently under local control sensors only, could take power at the same time, with peak demand penalties.

Orgreave Drive, Sheffield, S13 9NR (0742 693281).

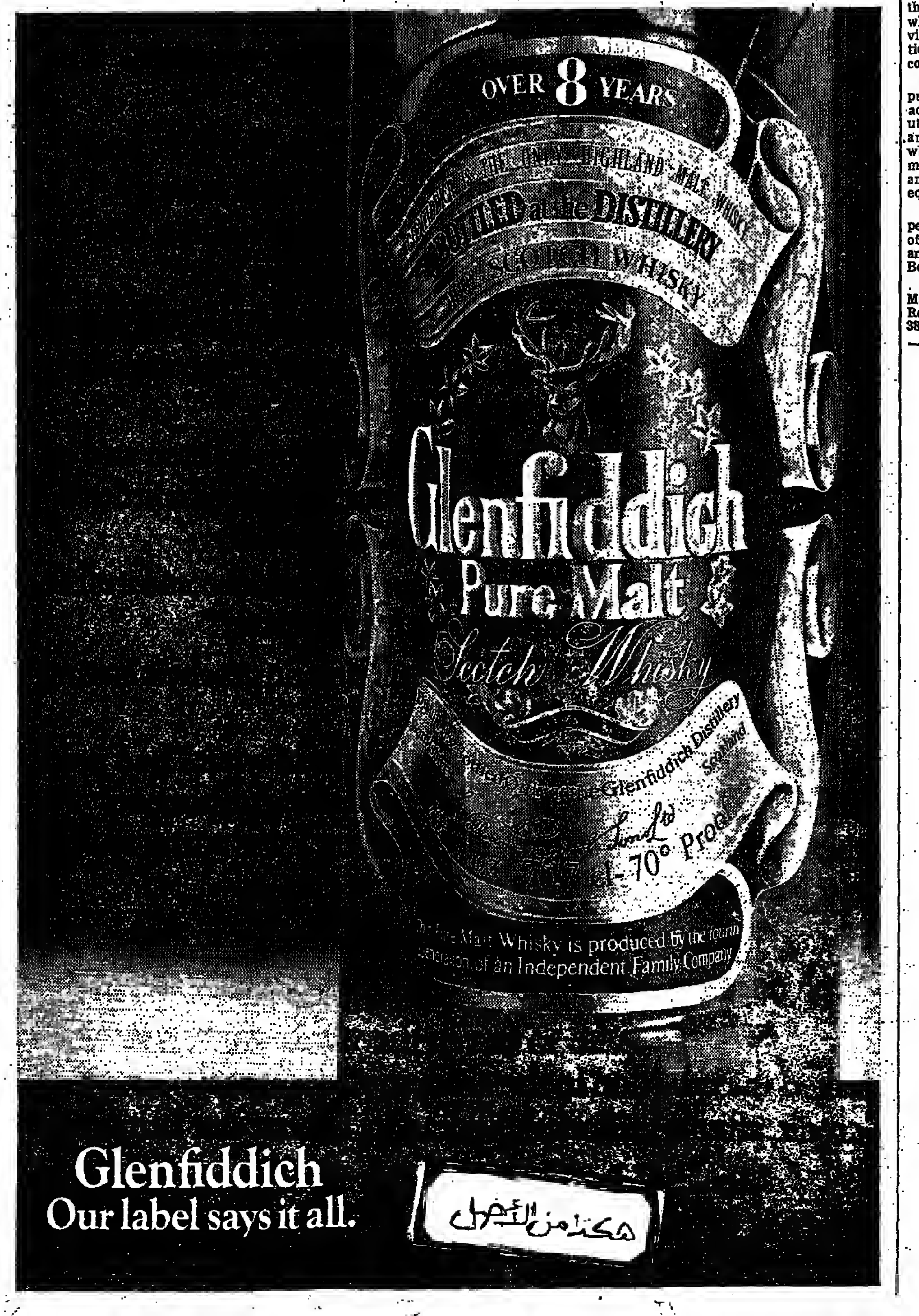
● INSTRUMENTS

Determines elasticity

MODULUS OF elasticity can be determined immediately, without the need for calibration or lengthy computation, using an electronic instrument put on the market by Lemmens Elektronika, Research Park, B-3044 Leuven-Haasrode, Belgium.

Useful in a production or research environment, the Grindo-Sonic Mk 3-S makes use of a shock excitation technique, measuring the period of natural vibration of an object when struck. The period is measured by a fixed frequency crystal controlled reference oscillator which provides an accuracy and stability better than 0.05 per cent under all operating conditions.

The operator's role is limited to initiating the signal by striking the component (force of the impact is not important); for quality control application, the Grindo-Sonic has been equipped with upper and lower setting limit facilities.



THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Christopher Lorenz meets Victor Kiam, currently repairing the Remington razor empire

The American company doctor who enjoys a close shave

VICTOR KIAM is about to celebrate the first anniversary of one of the worst weekends of his life: waiting in vain, hour after anxious hour, to learn whether he had brought off the biggest coup of a long and successful business career.

For a man who positively enjoys relaxing at weekends—unlike many other relentlessly hard-working entrepreneurs—last November's long wait was particularly uncomfortable.

But it was worth it. Early the following week — appropriately just before Thanksgiving Day—he discovered that he had secured his prize, the chance to acquire sole ownership of a $100m business for little over $25m, virtually all of it someone else's money. The multinational vendor of the business, Sperry Rand, and the American banking system had such faith in him that he achieved all this with only a token investment of his own.

Admittedly, the business in question—the famous Remington electric shaver empire—had been one of Sperry's problem divisions for a good decade. But this does not mean the multinational was prepared to give it away to the very first bidder who met its target price. Sperry takes an unusually responsible attitude to any business which it divests, and Kiam believes it had "checked him out" extremely thoroughly before it decided to prefer his approach to those of several major corporations, and the bids of two or three other bank-backed individuals.

Behind the story of Kiam's coup — and his subsequent revival of Remington in double-quick time since the formal acquisition this spring—lies a series of themes. Combined, they epitomise some of the main pre-requisites for entrepreneurial success on a grand scale whether in the U.S., Europe or elsewhere.

First and foremost is the drive and talent of the entrepreneur himself, often encouraged by years of working together with like-minded people who "get fun out of business" (Kiam's words), and who continue striving for success even if, like Kiam, they are wealthy enough to have retired years ago.

A dapper 52-year-old, Kiam has spent 27 fast-talking years in the world's most competitive consumer market, primarily as an innovative marketing expert. But he has also developed a strong belief in the fundamental importance of product quality, and has built up extensive financial expertise and contacts.

The second precondition for widespread entrepreneurial success, as in Kiam's case, is a business climate which not only accepts risk, but positively promotes it. For over a decade Kiam has enjoyed two key financial advantages: the personal profits he has been able to make in the stock market, and the backing of a group of venture capitalists with funds many times his own small fortune.

An even more dramatic illustration of the positive attitude towards industry of the U.S. financial community is the fact that it was actually a commercial bank, Chase Manhattan, which provided the bulk of the finance for Kiam's purchase of Remington through a "leveraged buyout" (debt-funded acquisition).

Kiam's pedigree and experience were considerable attractions to Chase. Which is not to say that he has never presided over a failure: in 1975-76, for example, one of his companies suffered badly from cut-throat competition in the digital watch market. It is arguable that he should never have taken it into that market in the first place, but then hundreds of other small businessmen also had their fingers burned by that traumatic experience.

A native of New Orleans, Kiam had an unusually long college education, by immediate post-war standards, attending in turn the Universities of Yale and Paris, followed by an MBA stint at the Harvard Business School. Like many good Harvard men, he plunged straight into the world of big business, in his case Lever Brothers, part of the Anglo-Dutch Unilever combine.

Potential

For four years he "went down the learning curve" of marketing, as he puts it, progressing rapidly from salesman up to divisional marketing director; most of his time was spent in the cosmetics and toothpaste divisions. In 1955 he followed his marketing vice-president—another hard-driving entrepreneurial talent—to International Latex Corporation, better known as Playtex, makers of women's underwear.

Now aged 67, this man—"my first real boss"—is a consultant to Kiam at Remington, concentrating on the development of its marketing thrust. The man who was President of International Latex when they joined has also remained a close friend and business associate of Kiam ever since. A few years ago, at the age of 73, he set up an entirely new business.

By the time Kiam left Playtex 13 years later, the company had expanded all over the world, with sales growing more than ten-fold to $350m. Perceiving its potential early in his time there, Kiam invested everything he had into its stock, continually reinvesting as the years went by. He is reticent about the size of his eventual windfall, but he admits that he sold at $120 a share, having initially bought at $13.

It was his record at Playtex, says Kiam, that brought him to the attention of both the head-hunters and the venture capitalists, so that when he left he was swamped with offers, including $30m of finance. Among his claims for his time at Lever and Playtex is to have been the real founder of the "gift with purchase" approach which has now become standard marketing practice throughout the cosmetics world, and in many department stores. At Lever, the "gift" was a toothbrush with every tube of Pepsodent, while at Playtex it was a bra with every girdle.

By 1968, when Playtex was swallowed by a conglomerate, Kiam had progressed to the crucial position of vice-president of marketing, "which, after all, is the core of that company." Rather than enter another large corporation, he chose to take effective control of a medium-sized company which was already something of a "risk business," but was later to become one par excellence.

With the help of a group of venture capitalists, and with a stake of less than 10 per cent himself, he bought control of Benrus, a loss-making family company in urgent need of repair; nine-tenths of its $30m turnover was in watches.

A pointer to his probable strategy at Remington was his decision to diversify Benrus into a wide range of fields, including jewellery, silver cutlery, and the U.S. franchise for Christian Dior leather goods. During his decade at Benrus, he increased its non-watch sales tenfold, to $30m.

He also made probably the best and most important friendship of his life, with one of America's leading venture capitalists, "Sandy" Kaplan. "We're almost brothers," says Kiam.

Kaplan has crowned a top financial job at Ford under Robert Macnamara with a new career in "risk finance," first as controller of Scientific Data Systems and then, after SDS became a key part of the flourishing Xerox Corporation, as senior vice-president of the copier giant, until he reached retirement age. He has assisted in the "nurturing" of several highly successful new ventures, including Intel, the company which was partly spawned by SDS and which invented the microprocessor; it is now one of the world's leading semi-conductor manufacturers. Such is the complex chain of corporate and personal relations in the U.S. new venture field.

Kiam left Benrus two years ago for a combination of reasons. First was the Board's decision to sell its watch business after the traumas of 1975-76, when Benrus was battered by the U.S. and Japanese giants of the watch and electronics industries, all of them hell-bent on muscling into the cut-throat new business of digital watches.

Together with Kiam's inability to persuade Dior to extend the Benrus licence into other product areas, the disposal decision meant that the growth potential of the company as a whole was limited—too limited for a man with Kiam's drive. He preferred to join his wife, a former merchandise co-ordinator at Saks Fifth Avenue, in an entirely different enterprise.

This was the "Friendship Collection," a fast-growing importer of jewellery, antiques and artifacts from China that they had founded two years before in true entrepreneurial style, within months of former President Nixon's historic and barrier-shattering trip to Peking.

With equally impeccable timing—though Kiam insists it was pure chance—they chose last week, while the publicity from Chairman Hua's British visit was still in everyone's minds, to launch the "Friendship Collection" in Europe, at London's Selfridges.

Kiam denies he found his post-Benrus period constricting, and that he was actively searching for a bigger opportunity when he found Remington. Though the Friendship Collection is still less than a tenth the size of the shaver company, the process of developing one of the first of a new type of business relationship between the U.S. and China was obviously highly stimulating.

All the same, there is no doubt that his ambition of running a large company was rekindled in July 1979, when he saw an article in the magazine Business Week which suggested that Sperry Rand might be interested in selling Remington.

One of Sperry's reasons for the sale was that the shaver business had become increasingly irrelevant to its overall strategy, yet more and more troublesome to its top management (as had the separate Remington office products operation; this has also been sold).

While shavers provided only about 5 per cent of its sales, the vast majority of Sperry's interests were in a range of capital goods (including computers, defence electronics and agricultural equipment).

In the old days, shavers had been a steadily profitable business for Sperry. But for a good decade, they had generally provided problems: losses in most years, marginal profits in others.

Sperry tried one approach after another to combat the international competitive thrust of Philips, Schick, Braun (part of the mighty Gillette group) and others. First it expanded the Remington product line into various kitchen and "personal care" appliances. Then it drew back in the face of intense competition in those areas too.

Just before it decided to sell the business altogether, Sperry cut its labour force sharply, closing plants in Australia and Canada, and virtually withdrawing from several European markets (though not Britain, where Remington still has a small factory). This time last year Remington employed just under 1,500 people, half the figure of five years before.

Very early in his inquiries about Remington, Kiam made a crucial discovery. Many experts in the electric shaver trade considered its main problem to be inadequate marketing, rather than poor product quality—though its product image had indeed been sliding in the public's mind. Yet many people at Sperry had identified engineering as its prime shortcoming, and had set to work to rectify it.

Hallowed style

As Kiam quickly discovered for himself—with a valuable second opinion from Kaplan—Remington had for two years had a top-quality modern "foil" shaver for men. "That's what I flipped over," says Kiam, claiming with as much conviction in private as he does in his advertising that "it shaves as close as a blade."

So convinced is he of its merits that he can now be seen at peak viewing time on Britain's commercial television screens, putting over the message about his "Microscreen" shaver in stylish person, and—in hallowed salesman style—offering customers their money back if they're not satisfied.

Along with this forceful promotion of his premium product has gone the marketing of a more traditional type of shaver priced at only $20 in the U.S.—slightly more in Britain—which Sperry had sold only in very limited geographic markets before.

Kiam's marketing approach is obviously the classic American one of selling at carefully selected "price points," and not necessarily increasing prices just because one's competitors do so. Over the last few months it has brought dividends, in terms of sharply increased sales in all markets, and reviving market shares.

On its own, such a strategy could be a recipe for soaring sales and slumping profits. Combined with other, more painful, steps it has actually succeeded in bringing Remington back into profit in less than a year, and in holding down borrowings well below the projected level. On both counts, of course, Chase is delighted.

Kiam's first step after his formal takeover of Remington in March was to ensure its survival by cutting inventories, new product development, and management.

The development cutback was prompted by—not in spite of—his belief in product quality. "We don't need any new shaver products," he argues.

The axe was wielded immediately in most areas of management. Within days, Kiam had removed about 100 executives, "including people making up to $75,000 a year," he says. In spite of the steady cutback in its size and product range, the company had been "staffed to the hilt" with all the panoply of a large corporation's diversified product line structure, deputies and all, recalls Kiam.

With a total labour force of less than 1,000 Kiam believes Remington will again become a major force to be reckoned with in the shaver business. Needless to say, he has several diversification ideas in mind, partly in order to load his extensive sales force more effectively. But he shows little sign of repeating Sperry's mistake of moving into parts of the electrical appliance industry which are already dominated by the giants of the industry, or are well on the way to becoming so.

Instead, he is looking for a series of non-electrical "niches." One already in mind is a grooming appliance which he thinks Philips and Braun would be unlikely to sell. Another is to go into products such as ties (a theoretical example) or jewellery, where the Remington name might prove an attractive selling point. The name may also be licensed to makers of other products.

True to form, then, Kiam has a wealth of ideas for diversification. But, just as when he was at Benrus, he will have to keep an extremely watchful eye on his basic business. He may believe he has the world's best shaver, but his competitors are steadily improving their technology, and Braun in particular may pose an additional threat in Europe now that it is widening its scope by moving away from its traditional concentration at the top of the market.

To Kiam, the perennial risk of being overrun by multinationals is a thoroughly familiar one. Whether or not Remington shavers are still with us in 15 years time, he himself shows every sign of being able to sustain the nimble flexibility which is so necessary to an entrepreneur's survival. Given his track record as a turnaround specialist, it would be surprising if Remington were the last company ever to receive his imprint.

A Stateside lesson in bold banking

"Leveraged buyouts" have become increasingly common in the United States over the past two years, as a way for entrepreneurs to fund takeovers by the raising of debt, rather than equity: for Victor Kiam's purchase of Remington, it was Chase Manhattan which acted as "backer."

This practice has not yet caught on in the far more cautious European banking world. But there is growing evidence that some of Europe's commercial and universal banks are beginning to examine how they, too, can develop new ways of financing small and medium-sized firms, particularly "risk" ventures.

Such a step may seem unnecessarily bold to the arch-conservatives. But it has to be taken if banks are to capitalise on a potentially lucrative market by giving more entrepreneurs the chance to prove their worth—thereby benefiting the national economy in general and the labour market in particular.

Why did he not seek the support of all the venture capitalists he has come to know over the years? For one thing, the task of assembling $25m from them would have been laborious in the extreme, since venture capitalists seldom hold much more than $1m a time in any one investment.

They also tend to demand a substantial slice of the equity, as they did when Kiam bought into Benrus in 1968. This time, he thought he would be able to fund much of the acquisition through debt, and still end up with between a quarter and half the equity without himself putting up more than a few hundred thousand dollars. In the event, he exceeded even these ambitious expectations.

With the helping hand of Chemical Bank, he rapidly constructed a mixed package of finance from several sources. By the decisive weekend a year ago, Kiam had secured sufficient backing to give him total ownership—provided Sperry itself would help finance the deal in some way.

This the company did, by giving him a 15-year mortgage-type loan on Remington's properties and by financing the non-U.S. operations for another year. By next March, a year after the agreement took full effect, Sperry will have been paid $15m of the $25m purchase price, says Kiam.

It was only after he knew he had won the race that Kiam discovered that Chase Manhattan's Commercial Finance Division would be prepared to bring down the overall cost of the deal by replacing that part of the package he had constructed from sources other than Sperry. In exchange for a credit line totalling $18.5m, the bank has charged him interest at 3.5 per cent above the U.S. Prime Rate. From his point of view this was a relatively good rate: in other such cases it has been as high as 5 per cent.

Chase's collateral includes various charges on receivables and stocks, though not fixed assets in view of Sperry's part of the arrangement. Remington has to report monthly to Chase, which could reduce its financing if Remington failed to meet agreed forecasts. The entire agreement is an annual one.

"So if you botch it, you're pretty much at the bank's mercy," reflects Kiam about this sort of deal. One could theoretically try to raise money elsewhere if the bank cut back the finance or choked it off entirely, but other potential investors would obviously be reluctant to get involved in such a case.

If, on the other hand, as in the case of Kiam and Remington, you prove more successful than expected, the bank gets nothing extra to reward its investment than repayment of its money when you switch to a new, and less onerous, system of financing. Such a deal would hardly interest a U.S. venture capitalist, nor one might add, most European banks at present.

LOMBARD

Monetarism and Mrs. Thatcher

BY PETER RIDDELL

THE CONSERVATIVES' economic experiment has run into problems much more rapidly than anyone can have expected. Until now there has been a tendency, not least among Ministers, to say that the cuts in taxation and public spending and the freeing of exchange controls must be allowed time to work through. Consequently everyone should sit back for a year or so, recognising that the ride may be bumpy. But the latest crisis of confidence suggests that the earlier measures were not sufficient and hence the ride may be even bumpier.

This is a particular test for Mrs. Thatcher. Interest rates have often been the economic issue about which Prime Ministers of both parties have been most touchy, and Mrs. Thatcher is no exception. In June she had major reservations about the two point rise in Minimum Lending Rate to 14 per cent announced in the Budget and she had to be persuaded of its necessity by the Governor of the Bank. But now the Prime Minister and her colleagues must again face the reality that monetarism is not painless.

Much deeper

It would be easy to blame the latest crisis on just one month's erratically bad money supply figures. There are certainly grounds for hoping that the November figures should be better as Value Added Tax payments flow in at the higher rate. But the problems are much deeper than this and started earlier. After allowing for all the distortions, both plus and minus, it is clear that the underlying rate of monetary expansion has been between three to six points higher than the upper end, let alone the mid-point, of the official 7 to 11 per cent target range.

The Government always reckoned it would be the second half of the financial year before its tax and spending measures reduced public sector borrowing and before higher interest rates and a slower rate of output growth reduced bank lending to the private sector. This always looked to be a tight timetable and it is now clear that the Government was taking too many risks on the fiscal side, indeed public borrowing may be higher than the official £8.3bn ceiling. But the real problem has been bank lending which has remained remarkably buoyant. As brokers L. Messel have pointed out, the result has been a "credit-hungry inflationary psychology."

In these circumstances higher nominal interest rates are clearly desirable. There will no doubt be many headlines and complaints later this week about the horrors of record interest rates. But it would be more honest to talk about the penalties on savers being eased and negative real interest rates being cut. Even after the maximum likely rise in the mortgage rate borrowers will still be paying two to three points less than the inflation rate.

A rise in nominal interest rates will obviously cause a political storm but all it does is to reduce the subsidy to young borrowers from old savers and should be recognised as such. Anyone concerned about high interest rates should look at the Continent where the real cost of borrowing is nearly 8 per cent in Belgium and even 1½ per cent in West Germany.

It would be an encouraging indication of the Government's willingness to face up to the implications of its monetarist commitments if it openly admitted these points. There is an inevitable political desire to shift the blame elsewhere as Sir Geoffrey Howe appeared to be doing in the Commons last week. During non-committal answers which did nothing to remove the belief that a rise in MLR is on the way, he specifically highlighted the sharp rise in U.S. rates. But the real problems are domestic.

About the only person who can view all this with any comfort is Mr. Denis Healey who regularly went through similar financial crises. But the Conservatives should not forget that an incompatibility between fiscal and monetary policy was the real cause of these crises. After this week they will also have good reason to remember Mr. Healey's remark—just before sterling was floated in October, 1977—that "one of the lessons learned by all people who hold my job is that there are fairly strict limits within which it is possible to withstand market pressures."

How not to train for management

FILM AND VIDEO

BY JOHN CHITTOCK

THE FIRST commercially-made British management training films were released no more than ten years ago—one, from AB Pathe, *Management by Objectives*, and the other, jointly, from the Financial Times and Rank, *Talkback*, a study in communication still in regular use.

Shortly before then Rank had started to make the first British sales training films, putting an *end to the absurd situation* which had obliged British managers and salesmen to rely on American films for their training. Over this rather hectic decade the market for training films has become huge, with a few—such as Rank's *Who Killed the Sale?*—grossing revenue well in excess of £½m and even turning the tables by earning some of this revenue in North American markets.

One essential factor behind the success of British training films has been their creative excellence and their enjoyable style. American films had been characterised by a mix of erudition and rectitude, delivered like a class-room lecture. Rank, and later Video Arts, showed that British training films could be enjoyable—putting people like John Cleese and Richard Briers into absurd situations that made their points pungently and persuasively and encouraged the audience to come back for more.

That revolution is now beginning to look a long way away. Ten years on, the British training film is in danger of looking a tired and degenerate species. Increasingly, it is being made to a formula, which goes something like this: find a management problem, reduce it to a number of simplistic principles capable of check-list analysis, graft this on to a story line set in an office or factory where at least one person is behaving badly and another dispenses wisdom and understanding like Brownie points, and finally cast into the roles a few well-known stars from television—preferably at least one who is enjoying a fashionable following.

Thus in Rank's latest, *The Pursuit of Efficiency*, we have Penelope Keith, in the manner, born doing her elegant stuff as the plain thinker and straight talker. In this film she goes round a company in the guise of an improbable tea lady—pointing out the obvious inefficiencies of both employees and methods.

It is difficult not to find some pleasure from the film because of Penelope Keith's charm. But the situations are not really very funny, the structure of the film hardly compelling, and the training principles barely a revelation ("people tend not to question established practices; they even defend them, because they are used to them").

The last quote is to be found in the Leader's Guide which accompanies the film, and it is these essential documents—standard issue with all new training films—which unwittingly symbolise the problem. British training films have succeeded by a briliant blend of entertainment and enlightment, but as the commercial need to justify the relevance of entertainment to training has increased, so the Leaders' Guides have become an essential element in the film package. Perhaps, in consequence, the training element in the actual films has been under pressure to become more amenable to the production of teaching notes, less concerned with creative talent.

Yet in the best of British classics it was the film-maker's use of creative genius, applied to training problems, which often yielded unique new ways of understanding the issues. I still remember after many years the Rank film *Selling Benefits*, in which a salesman gets the point about customer need when offering a drowning man *everything* but the vital length of rope that will haul him ashore. It sticks in the memory because it is a brilliant cinematic metaphor, developed from a quintessential analysis of the problem.

One of the latest releases from Management Training continues the trend towards the tired and the predictable. *The Office Supervisor* contains all the elements of the formula: the problem of supervising office staff, the reduction of the problems to a check list, a story line for the training points (in this case a very weak one—new girl takes over as supervisor), and Miriam Karlin as the well-known TV face.

The training points are very valid, and lest anyone forgets them after seeing the film there is a plastic "menu" card accompanying the film (using culinary metaphors that are more likely to raise a groan than a smile). If one looks to the film for entertainment, there is none. Miriam Karlin is cast in a straight role as an ex-supervisor dispensing the wisdom and the understanding; the human tensions and comedy of a real office are missing, and the film becomes an empty vehicle for transporting the check-list of training points.

This is not to say that the film is poorly made or unconvincing in its portrayal of the relevant situations. Anyone reading the "menu" card afterwards will certainly relate some of the points to sequences in the film. But this is hardly the synergy of words and pictures that caused Lenin to hail film as the great art form to be used in building the Soviet Union—and helped the British to inspire the Dunkirk spirit during the last war.

The subjects are there to be tackled, exemplified in another new training film, *Discord*, Jointly sponsored by the Industrial Relations Training Resource Centre and Rank, this generally avoids using the training film formula; the pat answers are missing in this fictional account of events surrounding a work stoppage at an airline company, and it more sensibly becomes a catalyst for use in group discussion later. Nonetheless, it has none of the trenchant tension or emotional insight of another British training classic—*Dispute*. This was, and still is, a gripping and intelligent analysis of the subtle elements that lead inexorably to an industrial dispute.

The most convincing attempt at the dramatised training film in recent times comes, unexpectedly, from Ireland. Sponsored by the Allied Irish Banks and AnCo (the Industrial Training Authority in Ireland), this follows four managers who report for a course at a training centre. Its title, *So . . . Who Needs Training?*, summarises its raison d'etre in demonstrating the relevance of management training to real situations at work.

It is hardly going to raise the temperature in any cinemas when shown, but it does come closer to reality than many current training films—perhaps because it was made well clear of the sophisticated influences of in-breeding now prevalent in the UK. It is available in England through Training Films International.

A return to documentary reality might halt the decline which I suspect is dulling the senses of so many training audiences. Stylised reality has become such a nasty habit in recent films that the connection with human beings is in danger of getting lost.

Television documentary repeatedly demonstrates how it is possible to galvanise the nation with genuine examinations of vital social issues. But because training is not an issue that preoccupies the public mind, it is never likely to be tackled by television except in further education slots. For quality we are left with no synthesised view, highly polished and neatly packaged for commercial sale. The training film industry can do better as it has proved many times over the last few years. But it has become mesmerised by its own success and weakened by a decade of in-breeding.

Morley's strong double chance

RACING

BY DOMINIC WIGAN

DAVID MORLEY, joint top trainer at Nottingham with Harry Thomson Jones over the *past four seasons—the pair have* landed 11 winners each—fields a strong team on the Midlands course this *afternoon*.

The 40-year-old Bury St Edmunds trainer looks to have bright prospects of a double with French Saint and Valmony.

The first from this pair to take the field is that smart five-year-old French Saint, the winner of his last two races in the 78-79 season.

Lady Sarah Keswick's Saintly Song gelding, who takes on only four opponents in the Bingham Handicap Chase over two miles, probably put up his best performance last season when beating Grand Trianon by 10 *lengths* in a novice chase at Huntingdon, in April.

The odds-on winner of a similar, though less competitive, event on the same course later in April, French Saint is thought to have made more than average improvement over the close season. If this is the case, the tough bay can return with a win.

Redhin, conceding 12 lbs to his considerably younger Bury St Edmunds rival, has already won three times at Nottingham. He looks the one for forecast purposes.

Although Valmony, a one-time top flight juvenile hurdler, proved a bitter disappointment last season, finishing second on all his completed outings, his one recent effort suggests he may return with a new lease of life.

The seven-year-old, a winner over hurdles at Nottingham *three years ago, will have fewer* easy chances this season than in the Mansfield Novices 'Chase. However, it would not surprise me if Mister Buck, from David Nicholson's stable, did not give him plenty to do.

Last time out Mister Buck put in a particularly gritty performance at Plumpton, scoring after Valmony had thrown the race away.

NOTTINGHAM

1.15—Royal Wine
1.45—Fata Morgana
2.15—French Saint***
2.45—Valmony
3.15—Swift Scott
3.45—Haighall

LUDLOW

1.00—Bonie de Lyon
1.30—Fancy Fellow**
2.30—Professor Pinn
3.30—Lord John*

TV/Radio

BBC 1

†Indicates programme in black and white

9.35 am For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One. 1.45 Bagpuss. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Pawb Yn Ei Fro. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 Buford Files and Dinky Dog. 5.00 John Craven's Newsround. 5.10 The Record Breakers.

5.40 News
5.55 Nationwide (London and South East only)
6.20 Nationwide
7.00 Rolf Harris's Cartoon Time (London and South East only)
7.30 Look, Back and Laugh
8.30 Kiss the Girls and Make Them Cry
9.00 News
9.25 Play for Today
10.45 Mainstream
11.15 News Headlines
11.17 Question Time with Clement Freud, MP, Ann Leslie, David Owen, MP, Lord Thorneycroft
12.10 am Weather and Regional News

All Regions as BBC-1 except at the following times:—

Scotland—10.38-10.58 am and 11.28-11.58 For Schools. 12.46-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 7.00-7.30 On the Green. 10.45 Current Account. 11.15 Can Seo. 11.50 Write Away. 12.05 am Mainstream. 12.35 News and Weather for Scotland.

Wales — 10.38-10.58 am I Ysgolion. 4.45-5.00 Cl O'r Ecw Samson. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.15 Pobol Y Cwm. 7.45-8.30 Rising Stars. 12.10 am News and Weather for Wales.

Northern Ireland — 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 7.00-7.30 Green Rock. 12.10 am Weather. 12.12 Festival Notebook from Belfast. 12.32 News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 7.00-7.30 East (Norwich) Past Positive; Midlands (Birmingham) Flavour of the Midlands; North (Leeds) Hometown visits Bingley, West Yorkshire; North East (Newcastle) What's Cooking?; North West (Manchester) Sit Thi Deawn; South (Southampton) Pure *Invention*; South West (Plymouth) The Music Quiz; West (Bristol) Day Out.

BBC 2

10.05 am Business World
11.00 Play School
11.25 Write Away
11.40 A Child's Place
2.30 pm The Engineers
3.00 Whistle Blowers
3.30 The Living City
4.00 Working with Young People
4.30 Working for Safety
†5.35 Flash Gordon's Trip to Mars
5.55 Grange Hill
6.15 The Waltons
7.05 Mid-Evening News
7.15 Testament of Youth
8.10 Chronicle
9.00 Not the Nine O'Clock News
9.35 Man Alive
10.15 The Mike Harding Show
10.45 Floodlit Rugby League
11.15 Late News
11.30 The Old Grey Whistle Test

LONDON

9.30 am Schools Programmes. 12.00 Simon in the Land of Chalk Drawings. 12.10 pm Stepping Stones. 12.30 Emmerdale Farm. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus. 2.45 Love Boat. 3.45 George's Fame and Company. 4.15 Under The Same Sun. 4.45 Magpie. 5.15 Monty's London.

5.45 News
6.00 Thames News
6.25 Help!
6.35 Crossroads
7.00 Sapphire and Steel
7.30 Star Games
8.30 George and Mildred
9.00 Documentary
10.00 News
10.30 Tuesday Star Movie: "Crash"
12.20 am Close: Personal Choice with Sydney Tafler.

All IBA Regions as London except at the following times:—

ANGLIA

1.25 pm Anglia News. 5.15 Survival. 6.00 About Anglia. 12.15 am Anthology.

BORDER

1.20 pm Border News. 5.15 The Squirrels. 6.00 Lookaround Tuesday. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 5.15 Sam. 6.00 Report At Six. 10.28 Channel Late News. 12.15 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.20 am First Thing. 1.20 pm Grampian News Headlines. 2.45 Young Ramsay. 5.15 Survival 6.00 Grampian Today. 6.05 Country Focus. 12.15 am Reflections. 12.20 Grampian Late Night Headlines.

GRANADA

1.20 pm Granada Reports. 2.45 Family. 5.10 This Is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 8.30 Cabbages and Kings.

HTV

1.20 pm Report Wales Headlines. 1.25 Report West Headlines. 2.45 Family. 3.45 The Entertainers. 5.15 Heddiw. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Georgie Fame and Company.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 4.15-4.45 Goglis. 6.00-6.15 Y Dydd. 10.30 Byd Ond Heddiw. 11.30-12.00 Country Comes West.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

1.25 pm News and Road and Weather. 2.45 The Electric Theatre Show. 3.15 Cabbages and Kings. 5.10 Tales of Crime—Bill Knox. 5.20 Crossroads. 6.00 Scotland Today. 6.30 What's Your Problem. 12.20 am Late Call.

SOUTHERN

1.20 pm Southern News. 2.45 London Belongs To Me. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day By Day. 12.15 am Southern News Extra.

TYNE TEES

9.20 am The Good Word followed by North East News Headlines. 1.20 pm North East News and Lookaround. 5.15 Mr. and Mrs. 6.00 Northern Life. 12.20 am Epilogue.

ULSTER

1.20 pm Lunchtime. 2.45 Young Ramsay. 4.13 Ulster News Headlines. 5.15 *Cartoon*. 5.20 *Crossroads*. 6.00 Good Evening Ulster. 12.15 am Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 Sam. 6.00 Westward Diary. 10.28 Westward Late News. 12.15 am Faith for Life. 12.20 West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.45 Cabbages and Kings. 3.15 Calendar Tuesday. 5.15 The Squirrels. 6.00 Calendar (Emley Moor and Belmont editions). 12.15 am The Human Face of China.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo
2	693kHz/433m 909kHz/330m & 88-91vhf stereo	4	200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Stereophonic broadcast
‡ Medium wave

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett. 2.00 pm Andy Peebles. 4.31 Kid Jensen. 7.00 Personal Call. 8.00 Mike Read. 8.50 Newsbeat. 10.00 John Peel (s). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (s). 7.32 Terry Wogan (s). 10.03 Jimmy Young (s). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (s). 2.15 David Hamilton (s). 4.15 Much More Music (s). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (s). 6.45 Sports Desk. 7.02 Brian Fahey and the BBC Scottish Radio Orchestra (s). 7.30 Folk 79 (s). 9.02 Tuesday Night Is Gala Night (s). 9.02 Max Jaffa with Music for Your Pleasure (s). 9.55 Sports Desk. 10.02 Laughter In The Air. 11.02 Sports Desk. 11.06 Brian Matthew with Round Midnight, including 12.00 News and 12.02 am Sports Desk. 2.02-5.00 You and the Night and the Music with Jan Leeming (s).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture Concert, part 1 (s). 8.00 News. 8.05 Concert, part 2. 9.00 News. 9.05 This Week's Composer: Rameau (s). 10.00 Northern University Concert, part 1 (s). 10.50 Interval Reading. 10.55 Concert, part 2. 11.45 Dame Edith Sitwell concert (s). 12.10 pm BBC Welsh Symphony Orchestra concert, part 1 (s). 1.00 News. 1.05 Six Continents. 1.20 BBC Welsh SO, part 2 (s). 2.05 The Polignac Salon (s). 2.55 Youth Orchestras of the World, part 1 (s). 3.35 In Short (talk). 3.45 Youth Orchestras of the World, part 2 (s). 4.55 Jazz Today (s). 5.25 *Homeward Bound* (s) including 5.45-5.50 News. 6.15 At Home (s). 7.10 Richard Burton reads poetry on records (s). 7.30 BBC *Manchester Master* Concert, part 1: Ravel, Szymanowski (s). 8.15 Utopia and Reality (talk by Dr. Wilfried van der Will). 8.35 BBC Manchester Master Concert, part 2: Lutoslawski, Debussy (s). 9.30 Poetry Cambridge. 10.30 Busoni piano recital (s). 10.50 The Beecham Legacy (s). 11.55-12.00 *News*.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News, 7.30, 8.30 News headlines, 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Prester John. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Towards 2000. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way. 12.55 Weather: programme news. 1.00 The World At One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen With Mother. 3.15 The Moonstone (s). *4.10 Bookshelf. 4.40 Preview.* 4.45 Short Story. 5.00 PM News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Many A Slip (s). 7.00 News. 7.05 The Archers. 7.20 We Can't Go On Meeting Like This. 8.05 In Touch (for the blind). 8.30 The Magic Of Music (s). 9.18 Kingdoms in the Sun. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Hornblower Story (s). 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 3.03 Showcase. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00 Question Time. 9.00-5.00 am Join Radio 2.

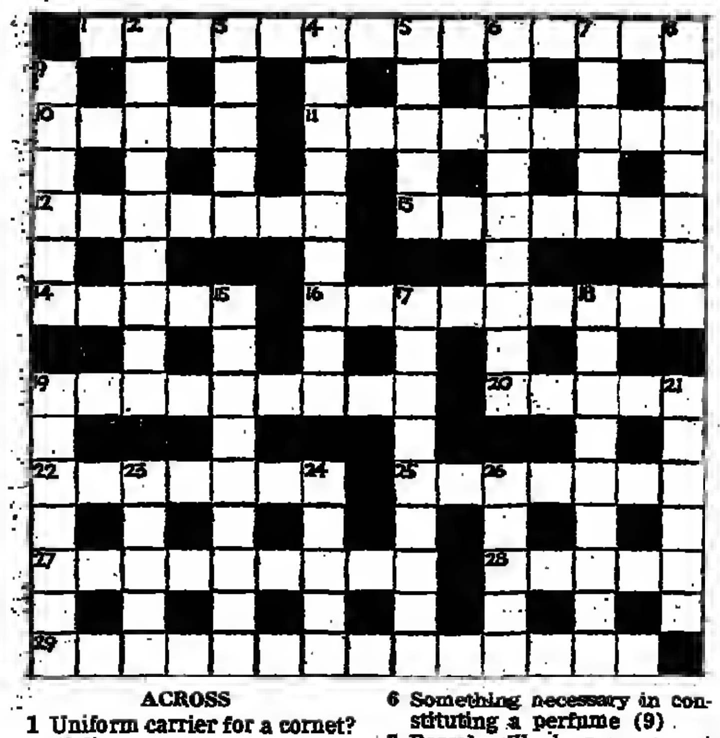
London Broadcasting

5.00 am AM with Bob Holness and Doug Cameron. 10.00 The Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'clock Call. 4.00 LBC *Reports*. 8.00 After Eight. 9.00 Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 The London File. 5.00 Morning Music.

Capital Radio

6.00 am Graham Dene's Breakfast Show (s). 9.00 Michael Aspel (s). 12.00 Dave Cash (s). 3.00 pm Roger Scott (s). 7.00 London Today (s). 7.30 Adrian Love's Open Line (s). 9.00 Nicky Horne's Your Mother Wouldn't Like It (s). 11.00 Tony Myatt's Late Show (s). 2.00 am Duncan Johnson's Night Flight (s).

F.T. CROSSWORD PUZZLE No. 4,124



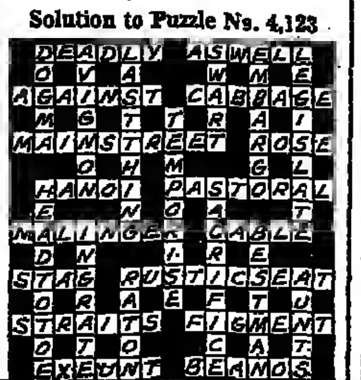
ACROSS

1 Uniform carrier for a cornet? (8-6)
10 Compel payment of former turn (5)
11 Wherewith the sniper takes aim with prevision (9)
12 Cold wind, light fog and soldiers left (7)
13 Acknowledge once in three consecutive letters (7)
14 Pry around a ring for the snare (5)
16 One who attacks as saint embraces the French (9)
19 Clothes external sign of damage (9)
20 I'm to appear in literature briefly and it's the end (5)
22 Linseed mixture stored in a pit (7)
25 Fish also changed in shady cover (7)
27 Tradesman to appoint to a post with hesitation (9)
28 Give utterance to nought in air (5)
29 Fight in front of arena could be a token of future union (10-4)

DOWN

2 Convey in ecstasy (9)
3 Observe involved in casino terror (5)
4 A fat life I may provide for associate (9)
5 Type of architecture in Finland or Iceland (5)
6 Something necessary in constituting a perfume (9)
7 Rascal will show sorrow at letting in own goal initially (5)
8 Retire to secluded place (7)
9 Stitch article for sailor (6)
15 Record fish being entered in register (9)
17 Fight over club waste material (5-4)
18 Fee paid for confession? (9)
19 Superintend stanza in Old English primaries (7)
21 Sneak in a bank (6)
23 Poetised about learner in jargon (5)
24 Material dug up (5)
26 It's right above the wanderer (5)

Solution to Puzzle No. 4,123



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. Credit cards 01-240 5258. Reservations 01-836 3161. ENGLISH NATIONAL OPERA. Tonight & Sat. 7.30 The Marriage of Figaro. Thurs. 7.30 Julietta. Fri. 7.30 The Turn of the Screw. [illegible]

COVENT GARDEN. CC. 240 1066. [illegible] THE ROYAL OPERA. [illegible]

SADLER'S WELLS THEATRE. [illegible]

THEATRES

ADELPHI. [illegible] A SUMPTUOUS NEW PRODUCTION OF MY FAIR LADY. [illegible] TONY BRITTON, LIZ ROBERTSON, PETER BAYLIS and ANNA NEAGLE. THE WORLD'S GREATEST MUSICAL. [illegible]

ALBERY. [illegible] OLIVER. [illegible]

ALDWYCH. [illegible] ROYAL SHAKESPEARE COMPANY. [illegible]

AMBASSADORS. [illegible] BODIES. [illegible]

APOLLO THEATRE. [illegible] IAN LAVENDER [illegible] JULIA FOSTER [illegible] HAPPY BIRTHDAY. A VERY FUNNY NEW COMEDY BY THE AUTHORS OF BOEING-BOEING. "FEYDEAU LIVES" [illegible]

ARTS THEATRE. 01-836 2132. TOM STOPPARD'S DIRTY LINEN. "Hilarious . . . see it." Sun. Times. Monday to Thursday 8.30. Friday and Saturday 7.00 and 9.15. NOW IN ITS FOURTH YEAR. Lowest-priced best seats in London £4.00, £3.35, £1.80 plus 15p temp. members.

ASTORIA. CC. 01-734 4291. At Last in London BEATLEMANIA. "Sheer technical perfection . . . awe-inspiring." E. News. [illegible]

BOULEVARD THEATRE. [illegible] PAUL RAYMOND PRESENTS [illegible] MARILYN [illegible] Exclusive [illegible] LIVE [illegible] Plus Banned by the Censor [illegible] Twice nightly [illegible]

CAMBRIDGE. 01-836 6056. Credit cards accepted. [illegible] THE HIT BROADWAY MUSICAL GREAT FAMILY ENTERTAINMENT. CHICAGO. "A TRIUMPH." [illegible] "THERE HASN'T BEEN A MUSICAL IN LONDON FOR A LONG TIME THAT COMES WITHIN A MILE OF IT." [illegible] CHICAGO. "THE BRIGHTEST, BOUNCIEST MUSICAL COMEDY IN TOWN." [illegible] "A GREAT NIGHT OUT. THIS FAST, MOVING AND COLOURFUL SHOW." American Express. CHICAGO. "WILL BE DELIGHTING LONDON FOR A LONG TIME." [illegible] "AN UNDOUBTED SUCCESS." [illegible] "ALL RAZZLE, DAZZLE." [illegible] "THERE IS NO COMPARABLE MUSICAL IN LONDON." [illegible] "A SUPERB EVENING'S ENTERTAINMENT." [illegible] "A THOUSAND WELCOMES . . . WOULD BE A CRIME TO MISS IT." Daily Mirror. Reduced price [illegible] Students, nurses [illegible]

COMEDY THEATRE. [illegible] THE ROCKY HORROR SHOW. [illegible]

CRITERION. 930 3216. [illegible] LEE MONTAGUE, GEORGINA HALE, SUSAN ENGEL in NEIL SIMON'S comedy LAST OF THE RED-HOT LOVERS. Directed by ERIC THOMPSON.

DRURY LANE. 01-836 8108. Evs. 8. Mats. Wed. & Sat. 3.00. THE FABULOUS MUSICAL [illegible] CAROL CHANNING [illegible] HELLO DOLLY! [illegible] "A DREAM COME TRUE." [illegible]

DUCHESS. 01-836 8243. [illegible] OH! CALCUTTA! [illegible]

FORTUNE THEATRE. [illegible]

GARRICK. CC. 01-836 4601. [illegible] DEATHTRAP. [illegible]

GLOBE THEATRE. CC. 01-437 1592. [illegible] ANTON RODGERS [illegible] DIANE LANGTON [illegible] SONGBOOK. [illegible]

GREENWICH THEATRE. [illegible]

HAYMARKET. CC. 01-930 9832. [illegible] THE SHERLOCK HOLMES MYSTERY. [illegible]

HER MAJESTY'S. CC. 01-930 6606. [illegible]

KING'S HEAD. 226 1916. [illegible]

ICA THEATRE. [illegible]

LYRIC HAMMERSMITH. [illegible]

LYRIC THEATRE. CC. 01-437 3686. [illegible]

MAY FAIR. [illegible]

NATIONAL THEATRE. CC. 928 2252. [illegible]

OLD VIC. [illegible]

OPEN SPACE. [illegible]

PALACE. [illegible]

PALLADIUM. [illegible]

PHOENIX. [illegible]

PICCADILLY. [illegible]

PRINCE EDWARD. CC. 01-437 6877. [illegible] EVITA. [illegible]

PRINCE OF WALES THEATRE. [illegible] TOMMY STEELE [illegible]

QUEEN'S THEATRE. [illegible]

RAYMOND REVUEBAR. [illegible]

ROYAL COURT. [illegible]

ROYALTY. [illegible]

SAVOY THEATRE. [illegible]

SHAFTESBURY. [illegible]

ST. GEORGE'S. [illegible]

ST. MARTIN'S. [illegible] AGATHA CHRISTIE'S THE MOUSETRAP. [illegible]

STRAND. [illegible]

TALK OF THE TOWN. [illegible]

VAUDEVILLE. [illegible]

VICTORIA PALACE. [illegible] ANNIE. [illegible]

WAREHOUSE. [illegible]

WESTMINSTER. [illegible]

WHITEHALL. [illegible]

WINDMILL. [illegible]

WYNDHAM'S. [illegible]

YOUNG VIC. [illegible]

CINEMAS

[illegible]

Cinemas are continued on Page 17

THE ARTS

Architecture

The American Renaissance

by COLIN AMERY

New Yorkers who live in Manhattan and never go to Brooklyn are missing something. Not only is Brooklyn full of marvellous architecture but it also has a first-rate museum. Until December 30 the Brooklyn Museum is holding a full-scale exhibition entitled *The American Renaissance 1876-1917*, which shows how Americans identified themselves as the heirs of the European Renaissance tradition in the late 19th and early 20th centuries. It is a show of the largely conservative European-based art and architecture that had an overwhelming impact in its day. At the same time as Frank Lloyd Wright was building his low, long Prairie houses, McKim, Mead and White were building their Renaissance palaces for the rich of New York and the Eastern seaboard.

The term "American Renaissance" concerned the conscious identification of American artists and architects, as well as financiers and industrialists, with the ideals of the Italian Renaissance. But there was to be no slavish copying of the past because the Renaissance was to be the source of a national American art. The Senate Parks Commission that produced the 1901-1902 plan for Washington DC predicted the future of government architecture: "It is the general opinion that for monumental work Greece and Rome furnish the styles of architecture best adapted to serve the manifold wants of today, not only as to beauty and dignity, but also as to utility." To further the classical styles, the American Academy was founded in Rome not simply to learn from the past but to demonstrate, by the presence of the New World at the heart of the old, that America planned to rival all that had gone before.

The exhibition shows clearly how intensely nationalistic the *American Renaissance* was — a great American pageant was to unfold from coast to coast. In the streets, parks, squares and malls of American monuments and buildings in the "eternal" style were to proclaim the virtues of the new civilisation.

Not far from the Brooklyn Museum is a perfect example of the kind of American grandeur that the artists of the period succeeded in creating. The Soldiers' and Sailors' Memorial Arch in Grand Army Plaza, Brooklyn, is America's own Roman triumph. This quality of nationalistic but classical fervour is best seen in Washington, or on the Benjamin Franklin Parkway in Philadelphia, and particularly on the great staircase of the Library of Congress.

As the American robber barons spent their huge fortunes they began to see themselves as the new Medici. Between the years of 1876 to 1917 the Vanderbilt family built 17 large houses, several of them costing more than $1m, and one, Biltmore at Asheville, North Carolina, $5m. Wealth was allied to a spirit of *noblesse oblige* and the period saw the beginnings of many of America's cultural institutions. The hordes of Old Masters that crossed the Atlantic were looted to add to the vision of a country that equalled or excelled the old world in artistic property.

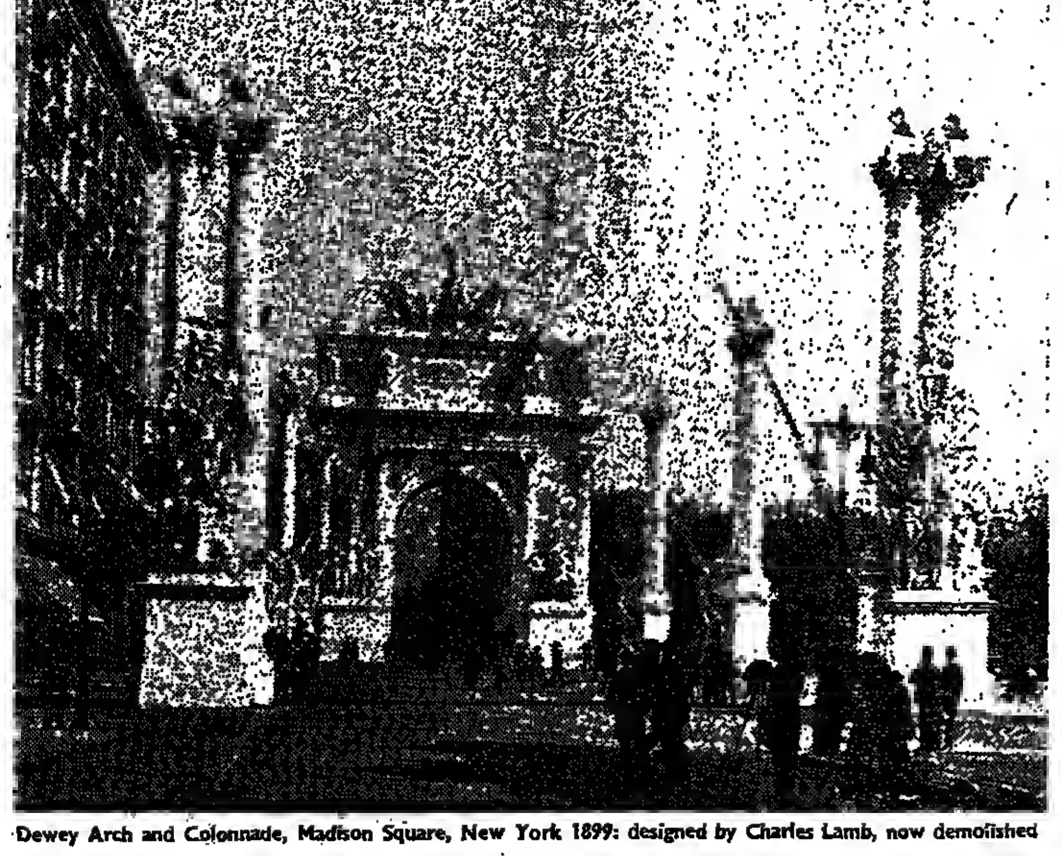
It is appropriate that this rich exhibition is held in the Brooklyn Museum building that was designed by McKim Mead and White in 1893. This great classical temple of culture is only a fragment of what should have been built, but it stands today as a noble gesture of Brooklyn's cultural independence from Manhattan. The idea of a show to examine the period was conceived by Richard Guy Wilson, Professor of Architectural History at the University of Virginia, and Dianne Pilgrim, Curator of Decorative Arts at the Brooklyn Museum. They are to be congratulated on their controlled and serious approach to this florid period. It would have been easy to see the whole episode as a gross example of extravagant imperialism. By a highly disciplined selection of exhibits from the fields of architecture, painting, sculpture and the decorative arts, the organisers make it possible for visitors to form a clear picture of the style of the period.

Unlike the Thirties Exhibition at the Hayward Gallery in London, where the approach has been kaleidoscopic, in Brooklyn discrimination is the order of the day. The catalogue informs and provides valuable background to the show.

The architecture room is full of marvellous drawings and is cleverly arranged to resemble a grand parkway with maquettes of statuary. The work of Richard Morris Hunt in Newport, Rhode Island shows the extent of the influence of rich private patrons on architects and McKim, Mead and White emerge as the public architects who most successfully brought the Renaissance ideas to the city streets.

Why the interest in this kind of architecture at the moment? Many American architects are looking again at classicism and beginning to find modern ways of reinterpreting the vocabulary. There is plenty of material to re-examine and much of the work of this period has been ignored for far too long.

The Brooklyn Museum is easy to reach by subway from Manhattan but it is worth checking the opening times as the museum is closed on Mondays and Tuesdays.



Dewey Arch and Colonnade, Madison Square, New York 1899: designed by Charles Lamb, now demolished

AIR and Rowan Galleries

Crosses

by WILLIAM PACKER

These are undoubtedly difficult times, hardly enjoying the best of economic weather, one might well have thought, in which to launch oneself upon the ever-treacherous waters of the art market; and yet within the space of little over a week we have been cheered by the brave sight of two just such enterprises, both of them committed in the interest of contemporary British Art, and we can only wish them every success.

The re-appearance of the AIR Gallery, newly set up in a splendid converted warehouse at the bottom of Rosebery Avenue, is especially welcome, for we had thought it lost, stuck fast on the shoals of expiring leases and soaring rents. It was indeed a considerable loss, for it had done extremely well under Moyra Kelly's energetic direction, its policies generous and imaginative, its exhibitions never less than interesting. It is too early to tell what line Robert McPherson, the new captain, will take, but there is no reason to suppose that he will be any less forceful and broad-minded. His record in Chester, where the excellent Arts Centre for which he worked confronts a philistine and miserly local authority, and an indifferent public, suggests that he will be an asset to the London gallery world.

The inaugural show, however, honours the gallery's previous commitments, a double-header that shows off the potential of the spaces at his disposal rather than causes any great excitement, or points to any future policy. Certainly he should have the pick of the queue of artists that is bound to form up at this door, for with two floors now, and a third later, he has a great deal to offer. But if this show is quiet, it is not uninteresting; and, though Mario Dubsky's melodramatic figure drawings and larger symbolic essays must be honoured more for the attempt than the achievement, a long public look at George Percy's refined and understated abstractions is more than overdue. (Until the end of the month.)

In Cork Street, Nicola Jacobs is a true debutante, her gallery opening its doors today for the first time. Her stable of artists looks as good as it is interesting, from the young and comparatively untried, such as Jon Groom, to such established but under-fêted painters as John MacLean, John Carter and Michael Whishaw. Her judgment seems sound but, of course, remains to be proved, and we shall follow her course with close attention. She is committed to a kind of English painting that deserves support.

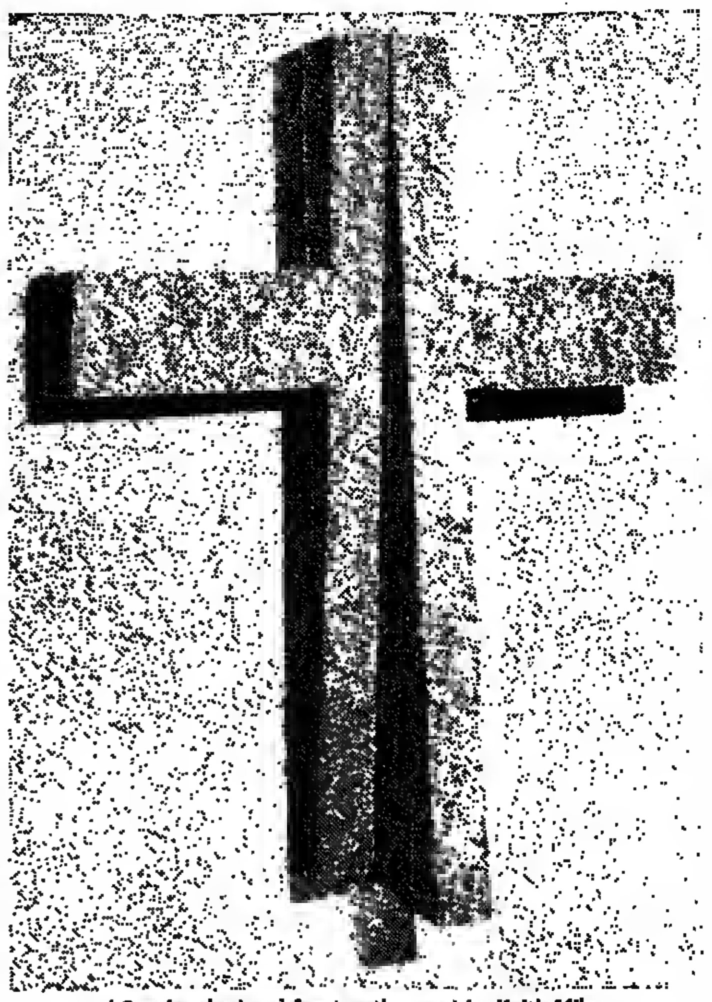
Which is perhaps the moment, in this flurry of fresh activity, to state unequivocally just how much the art world depends upon private enterprise. That of the artists themselves, of course, goes without saying; but without the dealers, who are abused for their narrowness, their timidity and their greed, and yet who sustain the true professional métier in which artists must work, there would be no art world at all. Over nearly 20 years, for example, the Rowan Gallery has stood at the centre of affairs, putting the interests of its own artists first, naturally enough, but also exerting much wider an influence through the help and encouragement it offers to so many artists, whether by active advice or mere attention.

The gallery has had a good year with a run of notable exhibitions, and the latest of them is as special as any. Keith Milow is an artist of a highly particular, some might say even precious sensibility, his work concerned with the refined articulation of a given formal idea or process. But for some years past he has been making crosses, relief sculptures the idea of which, though it might have seemed clear enough to him at the outset, has evidently surprised him, and by degrees engrossed him in its formal variety and the complexity and density of its associations: and these ambiguous qualities are precisely what give the work its strength.

The cross itself is so fundamental to our culture, so potent a *sign*, that it has become all but impossible to use removed from its religious circumstance. And it was indeed this test which Milow first set himself. He has by no means achieved the near-impossible, but the nature of his failure drew him, as it draws us, deeper into the work. His practice has been to take the cross apart and then flex or permutate the constituent elements. In the earlier phases this was done by imposing certain physical sequences of proportion, breaking up the surface and taking it forward or back in logical and often quite dramatic steps. He did make one integral cross, a statement of the whole that he was manipulating so obsessively, and now, in this most recent series, though he has left the earlier smoothness of the cement surface for much more rough-cast a record of the original wooden structure, he has returned to a comparative simplicity, doing but one thing at a time. The crosses are split along either the vertical or horizontal axis, with one half remaining true to the wall, the other swinging gently out or in. They are a light, warm grey in colour.

Hanging alone or in threes, they give off an inescapable religious resonance, and it would seem that, though Milow does not intend as much consciously, he is prepared to accept that this must happen. The balance is more nicely held, between form and content, when the numbers carry less obvious connotations: but to see them at all, hanging so profoundly quiet in this immaculate gallery, is oddly disturbing. Our cultural memories are longer than we might think.

One thing has led to another, and Milow varies this show with two reliefs based upon the Cenotaph, though its public showing in Armistice week is purely fortuitous. The memorial is reduced to a formal device by two ploys, being sliced in half and the base swung up to the wall. One piece is half only, the other a pair, like a pair of terminals, pointing to each other across a highly charged interval. Again, though we can set aside for the moment what it is from which this object is derived, we cannot, nor I think are we intended to, forget. (Until December 13.)



'One hundred and fourteenth cross' by Keith Milow

David Higham prize

John Harvey has been awarded the 1979 David Higham Prize for fiction for his first novel *The Plate Shop* (Collins, £4.95) evoking the world of the factory.

The prize was inaugurated in 1975 by the literary agents David Higham Associates to mark the late David Higham's 80th birthday.

Festival Hall

Stravinsky Festival

by DAVID MURRAY

Friday's instalment of the current Stravinsky series brought David Atherton and two soloists to the Festival Hall with a greatly enlarged London Sinfonietta. Though the two neo-classical concertos in the programme presuppose ordinary symphonic forces, they do not need a lavish complement of strings, and the late works of which the concert was otherwise composed are full of orchestral solos—excellent Sinfonietta-fodder. In fact the 1929 Capriccio for piano and orchestra makes lively use of four *concertante* strings, too, and there Nona Liddell and her cohorts gave an uncommonly pungent account of their parts.

The athletic and mischievous solo role was taken by Michel Béroff: expert, idiomatic, not so forward as might be wished—though he responded at last to the Sinfonietta's infectious high spirits and let himself rollick in the Finale. Poulenc raided the Capriccio shamelessly for his own two-piano Concerto of a few years later (infinitely scattier, but just as engaging), and a good performance of the former ought to bring out the kind of joke that tempted him to that friendly larceny. This one sufficiently did. Atherton is not a prescient accompanist: here and in the Violin Concerto, too, orchestral unison with the soloist occasionally slipped, and had to be deftly recovered. Little damage was done, certainly not to the Violin Concerto, which was roundly dominated by Kyung-Wha Chung's sovereign bow. By temperament and style she is ideally suited to the work—lucid, fleet, *soignée* and a little stern, with intimations of raw power strictly contained.

The late works were a feast on their own, despite a *Monumentum pro Gesualdo* (Stravinsky's 1960 "recompositions" of three Gesualdo madrigals) that never quite recovered its monumental poise after horn-trouble at the outset. The "Huxley" Variations of 1964, performed twice and very welcome, were impeccably delineated and paced, full of gravity without weight. (Paul Griffiths' useful programme notes claimed puzzlingly that the opaque inset multi-voiced blocks are "the central substance of the music"; surely they have just the dramatic function of the muttered choral episodes in the contemporary *Requiem Canticles*, and the "substance" of the music lies as much in the whole frieze-sequence as it does in the *Canticles* or indeed the Symphonies of Wind Instruments, almost a half-century earlier.) Finally, Atherton led a splendid witty and resilient performance of *Agon*, ideally balletic, notable for clever trumpets and a crisp mandolin and for a general, ubiquitous panache. If only the Sinfonietta's normal numbers permitted them to take *Agon* into their *permanent* repertoire!

St. John's, Smith Square

A Haydn concert

by MAX LOPPERT

As a way of drawing attention to its forthcoming publication of Christopher Hogwood's *Haydn and England*, the Folio Society sponsored the Academy of Ancient Music in Friday's Haydn concert, a genial and cheering selection from the vast body of music produced, during his *four-year stay* in this country, for an adoring public by "the Shakespeare of Music and Triumph of the Age in which we live." Between musical episodes Mr. Hogwood in his most determinedly cheerful mood read extracts from the composer's diary. Apart from arranging a picture of incredible industry side by side with (for a *man already in his sixties*) incredible appetite for new experiences, sights, sounds and adventures, the programme as a whole left the familiar feeling that among the greatest composers it is in Haydn that love of life is most abundantly sensed.

The music was performed on period instruments or else on modern reproductions, in a manner that might admiringly be described as domestic—there was no attempt to inflate into concert proportions so delightful a piece of *Hausmusik* as the second "London" Trio for two flutes (Stephen Preston and Nicholas McGegan) and cello (Anthony Pleeth); and in St. John's, there was no need to. Though the E flat String Quartet, Op. 71 no. 3, is one of the earliest of quartets intended expressly for concert audition, it was not a want of "delivery" that one felt in this performance by the Academy string quartet so much as a want of defining musical character; semiquaver passages were sometimes blurred, and rhythm was sometimes stiff.

Judith Nelson's accounts of the two canzonettas and later of three Scottish Songs were accompanied on the fortepiano by Mr McGegan (who took over there after Mr. Hogwood had been prevented by the Musicians Union from appearing also as performer). By her singing, the illusion of domesticity was temporarily interrupted, for whereas Miss Nelson's clear soprano and musicianly habits would no doubt be welcome in any drawing room, in the concert hall one soon began to regret her passive way with words and apparent unwillingness to do more for the songs than sing them at their face value. The close reasserted the illusion, however, with a performance of Salomons' arrangement, for string quartet, flute, and continuo, of the *Surprise* Symphony. It is a beautiful arrangement, expertly scaled, and with the value of all good arrangements, that of indicating the special qualities of the original with seemingly alien means.

Festival Hall

The Leningrad Symphony

Any conductor who embarks upon a cycle of the Shostakovich symphonies must at some time negotiate the seventh, the Leningrad Symphony. Bernard Haitink is presently recording a complete cycle with the London Philharmonic Orchestra, the recording sessions coupled with Festival Hall performances. On Sunday evening they brought the seventh, freshly prepared, rich-toned, impressively weighty.

Nowadays, the Leningrad seems no more than a museum piece. Even more than its companion work, the eighth, it collapses when deprived of its wartime overtones. Then its strenuousness and bombast, shambling structure and vulgarity were tolerated because they registered a commonly held, easily articulated collective feeling. Now its lack of first-rate musical ideas—there is no scene characteristic of the best of the composer—and the simple-minded construction of its movements, present too much of a barrier to any sort of authentic appreciation. Even with knowledge of the composer's claim that the symphony's programme is as much concerned with portraying the evils of pre-war Stalinism as with the rise of the Nazis, its profound banality makes it as unworthy of a place in the concert hall as Beethoven's *Wellington's Victory*.

Mr. Haitink worked hard on the symphony. It must be a great temptation to let the first movement's inexorable procession play itself, but he took care to mould and balance the successive entries, only bowing to the inevitable at the brassiest climax. Elsewhere the LPO revealed rehearsal time well spent: a beautifully polished oboe solo in the second movement, elegant, almost passionate, string playing in the third: much care lavished on hapless material. Before the symphony, however, the orchestra had taken some time to settle into Rakhmaninov's Rhapsody on a Theme of Paganini. Haitink seemed ill at ease in balancing Rakhmaninov's textures but provided a solid cushion for Shura Cherkassky's protean glittering pianism. In such works Cherkassky is irresistible.

ANDREW CLEMENTS

Architecture

New faces at the LSO

by ANTONY THORNCROFT

Peter Hemmings is the new managing director of the LSO. He comes from the Australian Opera, where he has been for two years, and takes on the orchestra at a most mobile time. This month, with its bags scarcely unpacked after a tour of the provinces, the orchestra embarks on its second visit to the Soviet Union. On the horizon are trips to Japan, Korea, and Germany, and next autumn, the U.S. With some justification the LSO can claim to be the most toured orchestra in the world.

Such overseas ventures might be good for national prestige and the international reputation of the orchestra but they hardly make money: the musicians would be better off in London doing another film score recording or an album of pop classics. And, of course, they could not be attempted without generous industrial sponsorship. Rank-Xerox is paying the expense of Russia just as Diners' Club is underwriting the German trip and American Express is putting up the £250,000 to cover the US tour. But foreign travel does help persuade the world that the LSO is among the top three orchestras of Europe—the others being the Berlin and Vienna Philharmonics—and within striking distance of the Chicago Symphony Orchestra. That at least is the view of Claudio Abbado who has just taken over from Andre Previn as principal conductor.

The LSO has been fortunate to recruit a principal conductor who has the charisma and popular appeal of his predecessor, Andre Previn, who has now completed a record 11-year stint. For a leading conductor Abbado is giving the LSO a good deal of his time. He is continuing as musical director of La Scala, Milan, but has given up his onerous additional responsibility of artistic director which involved dealing with the musicians, scenery, the ballet productions, the lot. There are also minor commitments to Vienna and Chicago but to an unusual extent for a major conductor Abbado is devoting much of the next five years to the LSO.

This means that he will put his stamp upon it, both in terms of the repertoire and the sound. As Abbado says "every conductor impresses his personality on an orchestra." Already there is a new leader for the violins, Michael Davis, and three new violinists and the strings could be further strengthened by improving the quality of the instruments. Abbado is behind an appeal for cash for better instruments, for with fine violins costing at least £20,000 few young musicians these days can afford to buy their own.

If the sound may change slowly over the years the repertoire can be altered much more rapidly. Abbado is keen to perform more classics and contemporary music at the expense of the romantic composers of the 19th century and perhaps the Russians. So there will be more Mozart, Beethoven and Schubert but also more Stockhausen and Stravinsky. Significantly in his first concert as principal conductor a work by Brian Ferneyhough was included among more marketable items.

Abbado is very keen to play cycles of music, often with distinguished soloists. So a Beethoven cycle is planned with Brendel and a Mozart, perhaps with Serkin. "I am trying to give an artistic shape to the programme," he says. Among the moderns a Stravinsky cycle is planned and next season we should hear a Stockhausen series with Boulez. Abbado is convinced that London is mature enough for contemporary work. "It depends on what you play and how you present it. You should always try and mix it with other favourites."

The trouble is that new music is expensive, not only because it often attracts smaller audiences but also because it requires more rehearsals. Abbado is not too involved on the financial side, but he is aware of the perpetual crisis facing the London orchestras. A series of ten programmes on Stravinsky's Firebird currently to be recorded for London Weekend Television, shows that he has all of Previn's flair for the media, and that the media recognises his glamour. He will obviously play his part in attracting audiences for like all the major orchestras the LSO has to earn around 85 per cent of its revenue. Unfortunately little profit comes from concerts: the hard slog of recordings and film scores subsidises the live performances. Nevertheless with Abbado following on very much in the Previn tradition of personality married to professionalism, the LSO is well positioned to maintain its role as the most active London orchestra, with a record 607 working sessions last year for an annual revenue of £1.6m.

Saturday night jazz at the Portman

Following the popularity of its Sunday jazz brunches, the Portman Inter-Continental Hotel has introduced jazz on Saturday evenings in its Rotisserie Normande.

Each Saturday there is a three-course menu including coffee and petit château wine for an inclusive price of £16.80.

The restaurant is open to diners from 6.00 pm although the music does not start until 9.15 and goes on periodically throughout the evening until after 1 am which allows people to look in for a drink after the theatre. Patrons will not have to have a meal as long as they pay the entrance fee.

Artists and dates as follows: The Temperance Seven, November 17; Bud Freeman with the Eddie Thompson quartet, November 24; the Wild Bill Davison All-Stars, December 1; Barney Kessel trio, December 8.

Entrance fee, payable at the door, depends on artist appearing.

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Slowing, not reversing

"WE ARRANGED a recession, but nobody came" one U.S. policymaker observed ruefully after the October credit crunch had been imposed, as an emergency measure, by the Federal Reserve; and the latest indicators for the UK economy suggest that so far, at least, something of the same kind is happening here. So far only survey evidence, and the state of the mortgage market, suggest a downturn, though most forecasts are gloomy. Meanwhile, although output has been disrupted recently by industrial disputes, demand appears only mildly affected. Retail sales have recovered gently thanks to tax rebates, and car sales strongly. Large increases in wages and social benefits are still to be felt.

Price controls

While these figures provide only a snapshot of the immediate past and an adumbration of the near future, experience suggests that the effect of large wage settlements on consumer demand lasts some months before the price effects work through. It is possible that the abolition of price controls will shorten this adjustment process noticeably, but the short-term outlook remains thoroughly unhealthy. Sustained demand while production falters and cost pressures rise, suggests a poor outlook for the current payments balance, for profits and above all for inflation. This is nothing like the economic picture which the Chancellor's policies were designed to produce.

Sir Geoffrey Howe has admitted that there has been a setback. It will take "longer than expected" to get monetary growth under control, and voters are warned not to expect much immediate progress on tax reduction. The question is whether this muted warning is adequate to the situation.

The fact is that the real economy is performing very much as might be expected had the Government's actual fiscal and monetary performance, rather than its intentions, been known from the start. The fiscal balance was set too expensively in June, but there is now a growing belief that the out-turn will be still more expansive. Monetary restraint is causing some discomfort, but on almost any measure of the money supply except the official one, whether narrower or broader, it is clear that money and credit are growing far faster than was intended.

If the growth of acceptance credit—the means by which the banks escape the "corset" restrictions on lending — is added back, broadly-measured liquidity has grown at an annual rate of about 16 per cent so far in this financial year, and narrowly-defined still faster. This is about enough to accommodate the current rate of inflation, with little or no real growth. The figures for the real economy simply confirm this picture.

Oil output

In one sense the Government can afford to take this initial failure of its policies calmly, because one element in the traditional British doom is missing: there is no external crisis, nor is there any very pressing threat of one. Slowly rising consumption is compatible with falling manufactured output thanks to the continuing growth of North Sea oil output and its rising value. However, this means that as oil output reaches something more like a plateau over the coming months, we will have everything to do. Our good fortune has so far been managed, by Governments of both parties, to produce little more than an importers' benefit.

It is clearly urgent to intensify policies against inflation. The first steps towards getting things genuinely tight will be announced this week, with the rolling forward of monetary targets and no doubt a further and sharp rise in official interest rates. It remains a very open question, though, whether it is possible to achieve the kind of monetary restraint the Government wants in the present situation by traditional means.

Economic pain

With both costs and prices now rising by well over 16 per cent, a genuine restriction of credit and money growth to 12 per cent would imply a very sharp contraction indeed. It must be remembered that the present régime of 14 per cent MLR and base rates has proved accommodative, not really restrictive, and the response to still higher rates remains to be tested. But some real tightening is essential, and it is bound to cause real economic pain. What the Government must remember, from our own repeated experience and from the current U.S. example, is that the longer serious treatment is delayed, the nastier it will have to be.

The real cost of dispersal

"AN UNPARALLELED example of economic lunacy" is one way to describe the Government's decision, announced in July, to stop moving civil service jobs out of London and into the regions. Mr. Campbell Christie, of the Society of Civil and Public Servants, who made this accusation and added to it last week by claiming that the dispersal plans which survived the Government's axe are now being "saboteged" by senior civil servants, may have had his own reasons (connected with his members' promotion prospects) for favouring dispersal. Nevertheless there is a good deal of justification in the gist and even the tone, of his remarks.

Imbalance

The arguments in favour of dispersal are clear. Firstly it helps to redress the economic imbalance between Britain's regions. Secondly, and more importantly, in the present period of belt-tightening, it saves large sums of public money by reducing the cost of providing each civil servant with the 150 sq ft of office space that he or she (on average) requires.

Unemployment rates in Britain's regions vary from 3.4 per cent in the South East to 7.9 per cent in the North and the gap is expected to widen further as the recession begins to take its toll. The plans to transfer 20,000 civil service posts to some of the poorest parts of Britain, such as Glasgow and Liverpool, would undoubtedly have helped their local economies. In addition to the 60 per cent of relocated posts that are normally filled by new recruits, there is a secondary employment effect as civil servants spend their salaries on local goods and services.

It is, however, in the financial calculations that the greatest benefits of dispersal lie. Lord Soames has claimed that abandoning planned dispersals will save £250m of public money over the next five years. Unfortunately he did not reveal the magic formula which will enable him to save money by keeping civil servants in London offices with rentals of around £13 per sq ft, instead of moving them to the provinces, where they could be accommodated at less than a quarter of the London rents.

If Lord Soames had looked into the figures in detail, he might have realised that his alleged "savings" are an accounting sham. The Hardman Report, which was published in 1973 as the basis for the original dispersal programme, is the most detailed study done within the civil service on the costs and benefits of dispersal. It does show considerable short-run costs in transferring civil servants. These include allowances for administrative dislocations, for travelling costs and for redundancy and relocation payments. All these, however, are swamped by the differences in office rentals and salaries.

Nevertheless Hardman comes up with a "net cost" to the Exchequer during the first five years of a relocation programme. The sole reason for this is an extraordinary method of accounting for property costs. The calculations assume that at least 70 per cent of the new office space required by the Government in the regions will be acquired freehold in cash but that the buildings vacated in London will be rented, rather than sold or leased for a capital sum. Not surprisingly, Hardman's calculations throw up large net costs throughout the period when the Government is acquiring or building its provincial property empire.

Benefits

If, instead of boarding its offices in London and buying up further land and buildings in the provinces, the Government were to do the opposite; sell its London properties and rent its new provincial accommodation, the gains from dispersing civil servants would be immediate and enormous. Selling "public property" may have been unthinkable in 1973, when the Hardman Report was published, but now that the Sale of the Century is in full swing, the Government should surely regard some of the 73m sq ft of offices that it occupies as potentially marketable. At the very least it should calculate the costs and benefits of civil service dispersal on the same basis that any commercial employer would use.

The balances of arguments for a U.K. deterrent

BY REGINALD DALE

MRS. THATCHER'S Government is gearing itself up to take two major decisions on nuclear weapons that will have crucial long term significance for Britain's role in NATO and its future as a world power. One is relatively easy, the other much more difficult. Both would have been even harder for a Labour Government.

The easy decision has in fact virtually been taken already. When NATO Defence Ministers meet in The Hague today they will know that they can count on British support for the alliance's plans to modernise its so-called Theatre Nuclear Forces in Western Europe. In practice this means that Britain is ready to act as a base for a new generation of American Cruise missiles, capable of striking deep into the Soviet Union—even if a formal decision by the alliance as a whole is not due before mid-December.

The timing of the more difficult decision—how Britain is to maintain its strategic nuclear deterrent from the 1990s, until well into the 21st century—is not quite so tight. But the Prime Minister will want to have a fairly clear idea in her mind when, also next month, she goes to Washington for talks with President Carter. Although the aim of this particular meeting is not to sign a second Nassau Agreement with the U.S., the British Government is well aware that it will have to negotiate a new missile deal with Washington if it wants to continue as a strategic nuclear power after the ageing Polaris force is no longer serviceable.

Given the long lead times such systems take to build, a decision cannot be long delayed. The moment is also seen in London as opportune for political reasons. The Tories, unlike Labour, are committed to replacing Polaris and would like to take what could well be a controversial decision early in the life of their Government. The current American Administration would favour such a request and there is good reason for finalising a deal before President Carter becomes totally embroiled in his re-election campaign—quite apart from uncertainty about the possible attitudes of a new man in the White House.

But why, one might ask, does Britain need a strategic deterrent in the closing years of the 20th century? It costs a great deal of money—the cost of replacing Polaris with a new Trident submarine-launched missile system has been put at around £4bn at 1979 prices. The alternative is some type of Cruise missile system.

It has been argued that the very existence of a Polaris replacement could conceivably involve the UK in a nuclear war against its will. Use of the British deterrent against the Soviet Union would in any case be suicide—a "blow from the grave" as it has been described. The money might be better spent on strengthening Britain's conventional forces or on other policy objectives.

Advocates of replacing Polaris would first of all argue that the money would not in fact be used to strengthen the country's conventional forces. Beyond that, they would argue that there are both military and political reasons why Britain should try to remain a strategic nuclear power.

Politically, it ensures a guaranteed seat at the top table of Western powers, at a time when the UK is in historic decline. In NATO, it helps to keep the economic and (conventional) military power of West Germany in perspective. With France outside the alliance's integrated military structure, West Germany would be the dominant European partner if the UK were not a nuclear power. Britain's nuclear role is no longer a matter of serious controversy either in Washington or other allied capitals. Most American strategic thinkers welcome the small degree of extra uncertainty that the British force creates in Russian eyes—thus theoretically at least, increasing Western deterrence. For West Europeans the strongest possible defence of the UK in time of war is particularly important because Britain would be the main bridgehead for desperately needed reinforcements from the U.S.

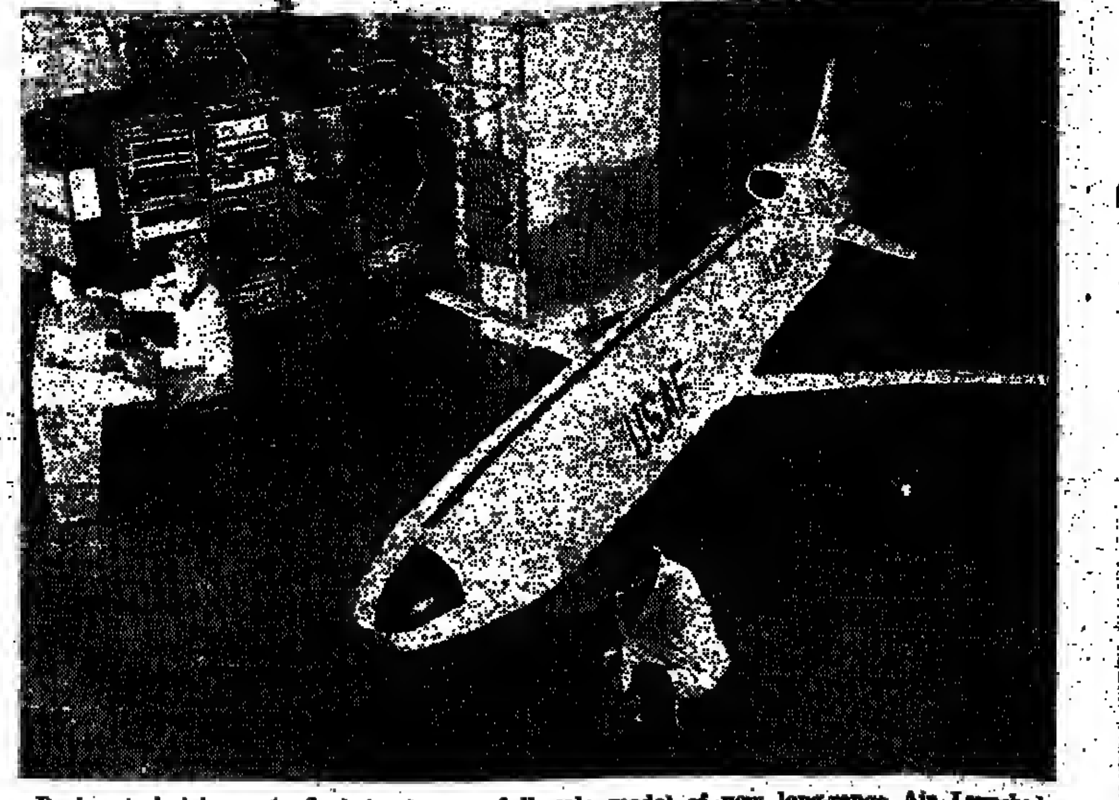
From a strictly British point of view the theory is that the existence of a strategic deterrent would make Moscow think twice about launching a nuclear attack on the UK, at least in the early stages of a war. Even the small British force could do vast damage to the Soviet Union. If the Russians played the NATO game of graduated escalation, which is admittedly far from certain, they would launch their initial nuclear strikes elsewhere in Western Europe, conferring a degree of what is known as "sanctuarisation" on Britain.

Given, however, the suicidal nature of any British decision to unleash its strategic deterrent on the Soviet Union Britain would obviously want to delay doing so as long as possible. The "independence" of the British deterrent is as important for a decision not to fire it as a decision to do so. Although the Polaris force is committed to NATO, the UK is entitled to assume independent control in the event of grave national emergency.

This is one of the main reasons why most strategists are in favour of replacing Polaris with a similar, if more modern submarine system. It is sometimes argued that if Britain is in any case going to accept American cruise missiles, under the separate NATO plan that is under review in The Hague this week, it should simply buy a few more of its own to replace Polaris. This, however, might blur the distinction between NATO missiles and an independent national force for use in a dire emergency.

Cruise missiles in the numbers required together with their launchers might also turn out to be not much cheaper in the end than a submarine launched ballistic missile system. Submarines are still less vulnerable than bases on land and ballistic missiles have greater chances of arriving on target than the low-flying, land-hugging Cruise. NATO strategy is also based on the assumption that submarine-launched systems would be used at a later stage in an escalating war.

One can play endless hypothetical strategic war games—some people spend most of their lives doing it. Nobody, however, can be sure that a future conflict would bear the slightest relation to the scenarios currently in vogue. The most that can be said is that the majority of strategic thinkers in the Western Alliance on balance still see a role for an independent British deterrent. But the words "on balance" have to be stressed.



Boeing technician puts final touches on full-scale model of new long-range Air Launched Cruise Missile.

The choice of new delivery systems

BY MICHAEL DONNE, Aerospace Correspondent

DETAILED studies of which type of long-range missile system to adopt in Britain to replace the present ageing Polaris missile-carrying submarines which form the British strategic nuclear deterrent, are still in progress. No decisions are likely until some time next year.

The present force of four submarines (Resolution, Repulse, Renown and Revenge) is capable of fulfilling its task until the early 1990s, so that there is at least ten years in which to develop the replacement system. But because of the technical and industrial problems involved, it is necessary to take the basic decision on which type of replacement system—either another submarine-launched missile, or an air-launched missile—some tima next year, so that the work can be put In band by 1981.

The decision is critical, because whichever way it goes will settle much of the UK's nuclear defence strategy for the rest of the century, and probably well into the next. The existing UK deterrent force is small—each submarine carries 16 Polaris nnclear missiles—by comparison with the U.S. Navy's 50-plus active and planned missile submarines, and nearly 150 missile submarines of various classes in the Soviet Navy. But it is still regarded as a vital element of the overall NATO strategic nuclear deterrent.

This is particularly so in the light of the Soviet Union's continued build-up of missile forces.

If Britain decides in favour of continuing with a submarine-launched ballistic missile (SLBM), the most logical weapons system to adopt would be the U.S. Trident programme, now under development and production by Lockheed Missiles and Space Company on the missiles and General Dynamics (Electric Boat Division) for the submarines. The American programme envisages 13 new submarines through to tbe mid-1980s, eacb of 16,600 tons, and capable of carrying 24 Trident 1 missiles, with a range of over 4,000 miles. Eacb missile would have a multiple warhead, capable of atriking several targets, and manoeuvrable so as to evade anti-ballistic missile defences. The Trident missiles ara also being fitted into 12 of the existing U.S. Navy's Poseidon submarines. The U.S. programme involves 312 missiles, with 25 Test missiles, costing in all \$3.4bn. Tbe UK could develop smaller submarines, using fewer missiles.

Tbe British thinking on a possible new submarine force is understood to be based on a minimum of five submarines, so that allowing for maintenance and repairs, at least two could be on patrol at any one time. The submarines could be built in British yards, thus reducing the foreign exchange costs of acquiring the system, but the Trident missiles would probably bave to be acquired from the U.S. The nuclear warheads, bowever, could be of UK design and development, as with the current Polaris missile system.

Clearly, the cost of any Trident submarine force would be expensive for Britain. Varions estimates for a five-submarine force have put the cost at upwards of £4bn, complete with missiles and warheads. While acquisition of sucb a system could bring mnch work to Britain's defence industries, it would take es much as ten years before tha submarines were in service, even assuming e go-ahead in 1980-81.

The other option available is the Air-Launched Cruise Missile (ALCM). This weapon, launched from a "carrier aircraft," flies under its own power to a previously determined target (or targets, for the warheads can be multiple, as with the Trident), at distances of more than 1,500 miles. The carrier aircraft can be either a B-52 bomber (which could carry 12 ALCMs under its wings with another eight in its bomb bay), or even a converted transport aircraft, such as a Boeing 747 Jumbo jet. When launched in large numbers, each of these missiles would bave to be countered by a separate anti-missile deployment by the enemy, so that defence against the ALCM is not only difficult but also costly.

The U.S. is planning to bave an ALCM capability, in addition to its existing land-based missiles and its Trident submarine system, but it bas not yet decided which of two types to adopt—either the Boeing AGM-86B, or the General Dynamics Tomahawk AGM-109 (of which a ground-launched variant, the BGM-109, is also under development for tactical use).

The U.S. Air Force's competitive "fly off" between the AGM-86B and the AGM-109 is now in progress. The winner is expected to be chosen in early 1980, and production missiles are expected to be delivered in the early 1980s. Britain could hardly decide between the Trident Submarine system and the ALCM until the U.S. itself has decided which ALCM to use, and this is one factor behind the delay in settling our future deterrent.

The cost of the ALCM has not been disclosed, but missile for missile it is expected to be cheaper than the Trident submarine system, which would be an advantage for the UK. The UK's problem is that it does not have a suitable "carrier" aircraft, wbich would presuppose either buying such an aircraft from the U.S., or trying to modify some existing British aircraft, such as the Vulcan bomber, which weuld push np the costs of the system substantially. As with the Trident, the missiles would probably be acquired from the U.S., bnt the warheads could be produced in the UK.

If costs and time-scale were the sole criteria for settling tha future strategic deterrent the ALCM would seem to be the logical choice. It would be cheaper, quicker to acquire and instal (it could be based on existing RAF bomber bases), and would probably require (apart from the warheads) a minimum of adaptation to UK requirements.

But other factors have also to be considered. One is survivability against a first strike in the event of war. The missile submarine is less easy to detect, and thus less vulnerable than the ALCM whose carrier aircraft would be based on airfields. On the other hand, the ALCM is a more flexible weapon system than the submarine-launched misile, capable of more rapid technological improvement if that becomes necessary.

These matters are perhaps of less concern to the U.S. which will bave both types of system in its armoury, bnt for Britain, which can only afford one or the other, they are of considerable significance. Before taking its own decision on the form of its own strategic deterrent for the 1990s, these are some of the considerations the UK will have to weigh carefully.

MEN AND MATTERS

Old Times are here again

There was perceptible gloom on the faces of Grays Inn Road sandwich bar propriators as, at midday, news of yet another dispute, and the measured voice of Times editor William Rees-Mogg, issued—yet again—from the radio.

Inside the modern office block of New Printing House Square I fonnd the eve-of-publication mood more cheerful —businesslike relief mingled with the semi-lethargy and letter-opening of late morning on any daily newspaper. In the newsroom, however, ona man was already typing furiously. A story for the first issue? "No union business," smiled Jake Ecclestone, father of the National Union of Journalists chapel. Ecclestone claims to be one of the few to have worked as hard, if not harder than usual during the 11 months of the suspension. "I'm very pleased at the prospect of the paper coming back—but I don't feel a wild sense of elation," be said. Like many Times people, he has the air of a man who is used to being on the receiving end of news gathering. Indeed as we spoke, television crews, banned from the building, were hovering outside.

Many others claim to have been hard at it from the first day of the auspension. News editor Rodney Cowton, for instance, has been sitting at his desk four days a week with two or three general reporters for company, "keeping in touch, and just trying... to keep the office functioning in limited ways, like ensuring the post kept coming through." It is a vigil be would not care to repeat, and like others he has been surprised by the ease with which he bas been able to get back into the normal professional rontine. He clearly enjoyed the prospect of seeing his stories in print again.

Talking to Times people, it is clear that few are entirely immune from the feeling that—as one veteran of the foreign desk put it—" the closure of The Times would be equivalent to the Britiah Museum being knocked down." But Cowton insists that neither his eight-psge supplement catching up on tha events of the last year, nor the three supplements of selected obituaries, reflect a special kind of arrogance. "We bave to take some account of the most important developments," be says. "It's not a question of putting tha Times imprimatur on them. We simply want to eet what's happened on our records."

A first-day print run of around 500,000 was expected, a buge production for The Times, especially when, ironically, there are not enough printers—extra men have had to be drafted in from the Surrey Comet. Partly because of this production problem, much material bsd already been set. It helps to explain the general lack of unseemly, premature frenzy at The Times.

This calm was most noticeable in the wide room at the back of the building where, appropriately overlooking Mount Pleasant GPO sorting office, chief letters editor Geoffrey Woolley was sifting through the day'a mail—around 100 letters.

Woolley is one of those people who justify the cliche that the Times is simply more civilised than other papers. He has been concerned with the letters, apart from an interlude in Washington, since 1953, and is clearly delighted that the paper is coming back. His main irritation is at having to start from scratch: "It's a question of getting into the middle of arguments: It'll take about a fortnight, I should think. I haven't enjoyed the suspension —the most frustrating thing was when there have been great boppenings that would bave made marvellous letters."

Name dropping

Although six months have passed since Mrs. Tbatcher exchanged her life in fashionable Chelsea for a flat above the shop in No. 10, she bas not left her former address entirely without a certain political Je ne sais quoi. In fact, if an advertisement by Lyhams, a firm of Putney estate agents, is to be believed, her previous residence in the area is an extremely marketable commodity.

"Flood Street, Chelsea—adjacent to the Prime Minister's House," runs the advertisement. And, lest this proves not to be inviting enough, Lyhams also disclosed (in brackets—for the owner maintains a discreet distance from the transaction) that the property in question is "used by a very busy MP." The asking price: £125,000.

Whether this approach to the sale of property is good or not is, unfortunately, a matter for dispute. Marriot, the lead estate agent for our bardworking, but anonymous, MP thinks not. "We're fully aware that Mrs. Thatcher lives in Flood Street, but, quite frankly, we don't need that sort of publicity to sell a bouse in that area."

Lyhams takes a different view: "Obviously its a good address now," they say, unabashed.

Moral tale

Clad in silver and orange and conscious, no donbt, of their motto "True and fair," the members of the Worshipful Company of Chartered Accountants gatber in St. Lawrence Jewry in the City tomorrow to perform their annual church dnty. The subject: "Morality of Capitalism."

The speaker, Professor Bri Griffiths of the City University, should raise few eyebrows. His twin themes, I understand, are capitalism as the guarantee of personal liberty and the dangers of the collectivist state; the assembled liverymen can be assured of a robust defence of accountants' values.

In a way, though, the meeting is less about the lecture and more about the members' need for pomp and circumstance. For too long, it seems, chartered accountants have not been accorded the dignity which is their due, and in 1977 a group of them decidad to put things right with the formation of a livery company.

"A number of such companies were reacbing their centenary and it was felt that the accountants needed their own terms of reference," the Rev. Basil Watson, their chaplain and vicar of St. Lawrence Jewry, tells me. Letters patent were taken out, a livery awarded, gowns and staffs designed—in fact, all the medieval panoply appropriate to Jubilee Year. Today, as a result, they are at one with the goldsmiths and the clothworkers and can feel proud of their standing in the City.

The present Master is no less a figure than Kenneth Sharpe, head of the Government Accounting Service—an office known in the trade as Hot Cas.

Precision in paint

Is a new spirit of modesty abroad in the football fraternity? A slogan daubed on the roof of a railway carriage at Victoria Station reads "Crystal Palace Football Clnb rools London." As if having second thoughts about this assertion, the daring graffitist bas interted the qualification "S.E." between "rools" and "London."

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FINANCIAL TIMES SURVEY
Tuesday November 13 1979

Insurance

Most sectors of insurance are currently slipping into the latest of the industry's traditional cycles of decline. The main bugbears are overcapacity, bad claims experienced this year and general weakness in the market. Most observers are not looking for an upturn until some time early in the next decade.

Riding out the bad weather

By Richard Lambert
Financial Editor

THESE ARE unsettling times for insurance companies around the world. Fundamental changes in the market place are coinciding with a time when underwriting profits are in a cyclical decline.

Over the last 30 years the major UK companies—like most of their counterparts around the world have shown a strikingly consistent pattern of underwriting performance, touching low points in terms of their return on premium income in 1951, 1957, 1963, 1969 and 1975. History may well repeat itself, making 1981 the turning point in the current cycle. But it is just possible that the surplus capacity which is responsible for the current setback will not disappear in quite the old familiar way. In that event the world's insurance industry will be moving into uncharted waters.

The current cyclical decline has now been established for about a year, following what was an exceptionally profitable period in 1978. Countries like Australia and Canada are contributing to this downturn, but the major weakness lies in the U.S., far and away the world's most important insurance market. While the rate of inflation has been accelerating into double figures this year, premium rate increases announced in the first nine months averaged well under 2 per cent on all lines of business. In some classes or risk, like special multi-peril or commercial fire, increased competition has actually reduced rates in dollar terms this year.

In addition, there have already been a greater number of natural disasters big enough to be rated as catastrophes in the U.S. so far this year than in any previous 12-month period. It looks as though total U.S. catastrophe losses could exceed $1.7bn in 1979, which would be nearly double the previous peak set as far back as 1965—the year of Hurricane Betsy.

Leading U.S. brokers Conning and Company estimate that the U.S. stock companies will show a combined operating ratio on property and accident business this year of over 102 per cent. That figure represents expenses plus claims as a percentage of premiums (which are likely to exceed $60bn), and means there will be substantial underwriting losses this year. In 1978, by contrast, the ratio was 97.4 per cent.

The outlook for 1980 is for a further deterioration, and Conning and Co. projects an operating ratio for that year of nearly 106 per cent, which would be just about as bad as the experience of 1974. High interest rates are boosting the major component of insurance company profits—investment income—but this does not represent a net gain since in an extremely competitive environment this factor is bound to be taken into account when setting premium rates. In other words "pure" underwriting losses are that much larger.

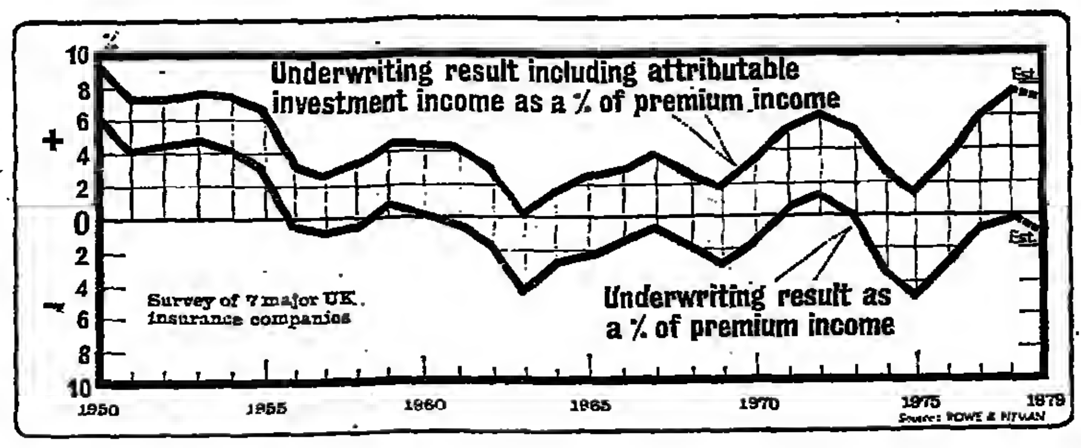
Moreover, it is desperately difficult to get rates right in a period of accelerating inflation, as some UK companies found to their cost in the mid-1970s. The price of just about everything in the U.S. is now rising at a much faster rate than seemed probable only a few months ago. Premium rates which looked pretty tight at the time must now look downright inadequate.

Of course there is nothing particularly new about this kind of market development. Insurance is a highly geared business, which attracts new capital when it makes fat returns and then suffers a lean phase until capacity and business volumes get into line again.

Wistfully

It is always at the present stage in the cycle that the established companies like to talk wistfully about the need for "disciplined" markets. Usually the market-place exerts its own discipline. But competition is now coming from some rather different sources—from people who are hungry for premiums, and whose prime concern, at least for the short term, is to build their share of the market rather than their earnings per share.

One reason for this is that the insurance community is becoming much more international. The UK companies have long written a very large part of their business overseas, but this has by no means been true of other developed countries. Until now, that is, when sluggish economic growth at home coupled with a growing wish to diversify risks on an international basis have pushed previously insular companies from countries like the U.S., Japan, or Germany into taking an aggressive posture in new markets.



Competition has been further increased by nationalism—which has shut off a number of developing markets completely and helped to encourage the introduction of brand new capacity, such as the markets currently being planned in the U.S. The growing power of the consumer has also left a mark, by squeezing the returns on personal business in a number of markets.

Meanwhile the pool of available world insurance business is flowing into new shapes. For instance, motor business, traditionally the bread and butter for many companies, is not what it used to be. In the U.S. it accounted for two-fifths of premiums written in 1972 but only a third in 1978. Elsewhere an increasing proportion of the bigger risks are being self-insured or placed offshore with captive companies, leaving the established companies to squabble over the least stable part of the premium. In the inelegant phrase of one big company, "we are being pushed up the risk spectrum."

On top of all this comes the explosive growth of the international reinsurance business. This has enabled insurance companies to take on a range of risks that their capital would otherwise have been too small to support. It has made it much easier for companies to gain access to overseas markets; it has depressed premium rates generally by bringing new capacity into the market. Many life companies have been putting new capital into reinsurance, while some captive insurance companies—like the Bermudian subsidiary of Armco Steel—have developed into a major force in the market place.

Reinsurance helps to delay the day of judgment, in that it makes it possible for insurance companies to withstand big claims that would otherwise have forced them to put up rates or go out of business. This is why Hurricane Frederick and all the other U.S. catastrophes this year appear to have had so little impact on the market so far.

Strong

It is also one reason why a strong capital base is becoming of ever-increasing importance to insurance companies. There are several others. General liability is becoming an increasingly important class of business. Including medical malpractice, it accounted for 11.2 per cent of total property/accident premium volume in the U.S. last year, up from 8.4 per cent in 1975. Excluding the medical business, U.S. general liability premiums totalled $7.8bn in 1978 and would have been a lot higher if the soaring cost of risks like product liability had not led to higher self-insurance and a move to offshore captives.

The growth of this class of business is not confined to the U.S., as the rising number of court awards for personal injury around the world bears witness. One of the key features of general liability is that it can take years for a claim to be recognised let alone settled. That means bigger reserves are required than would be necessary for writing, say, a motor risk.

A rising rate of inflation also requires reserves to be boosted, for obvious reasons. Stockbrokers Rowe and Pitman calculate that between 1970 and 1975 the provision for outstanding claims by the seven major UK insurance companies rose from 67 to 82 per cent: it has since levelled off at 83 per cent. These reserves can now exercise a major gearing effect on reported profit. For the UK majors they currently amount to £3.9bn, so if for the sake of argument there were to occur an error of just 1 per cent in the aggregate calculation there would be noticeable repercussions for a sector which paid net dividends of £120m last year. A strong equity base is essential to support such big numbers.

The trouble is that although insurers have compelling reasons for wanting to bolster their capital base, the case for putting up new money is much less so. Stockbrokers L. Messel and Co. have calculated that between 1970 and 1978 the UK majors paid out total dividends of £684m—and raised £490m of new capital by rights issues or what might be called pseudo rights issues (bids for investment trusts and the like). That left a balance of £174m, of which one company—the Royal—accounted for over £100m.

This is why the share prices of the UK insurance companies have performed so dismally in recent years. But at least they have now got their balance sheets into shape. In the U.S., by contrast, there have been no major equity issues in recent years—and it shows. Solvency margins are lower than used to be thought acceptable and loss reserves stand at around twice the policyholders' surplus, almost double the ratio at the beginning of the decade.

Paradoxically, this is one of the main supports for those who argue there is not going to be anything untoward about the present underwriting cycle. The fact is that the U.S. companies are in no shape for a really serious slugging match.

CONTENTS

World Competition

New forces at work

WHENEVER ANY two or three underwriters are gathered together the chances these days are that moans about "excessive competition" in some market or other will come into the conversation. Just now there are some small signs of relief in a few classes of insurance in the adverse "competitive" conditions of which the professionals complain. International marine and aviation reinsurance, for example, are current candidates for soma improvement. But given the way the economic world wags in the last quarter of this century, it seems improbable that the competition issue can be completely resolved in the foreseeable future.

But what do insurance and reinsurance people really mean when they protest about excessive, or unfair, competition? Insurance-buying businessmen and the ordinary newspaper-reading public must nowadays be a bit baffled whenever they run across articles or speeches by top insurance people, politicians or othar business leaders on the subject of insurance competition. Would-be insurance-buyers, who increasingly include buyers of personal insurance protection, have in the past few years learned to look at the question much more from their own viewpoints than in the past. They demand "reasonable" prices for services as well as goods in the age of steepening inflation. Insurance prices—premium costs—must be "reasonable" too in relation to the future monetary value of the cover offered, with some sort of assessment of the maximum possible and probable losses.

Underwriters and brokers indeed often suspect that, crashing through the historic indemnity principle, some of their commercial clients look for an actual or imagined profit over a period from their insurances. Anyway, if the sums, whether carefully calculated by a business insuranca buyer or just the gut feeling of the rest of us as private policyowners, do not seem to add up — would-be insureds vote with their feet and if possible look for another more "reasonable" insurer. This introduces only one of the new competition factors on to the world insurance scene.

The international policyowning community gets confused, however, when it hears senior people closely involved with insurance speaking with distinctly forked tongues about competition. On the one hand, an increasing number of governments must reflect their constituents' concern over prices, the protection of consumers' interests and the "big business" probity issue, by demanding that insurance industries in their countries be more openly competitive — either by exhortation or through legislation. On the other, the sama governments demand that insurance markets remain orderly, and that companies possess or earn and retain adequate funds to meet their liabilities with a substantial margin to solvency.

Tha current hot debate in the U.S. on how State and/or Federal governments should supervise the industry, how — if at all—premium rates should be officially regulated (or left to open competition), and the Carter Administration's recent attempts to impose price restraint on insurance are all symptoms of this thrust in official policies everywhere. The more direct actions on premium levels of Canada's erstwhile Anti-inflation Board are another example. And the way the EEC's approach to insurance harmonisation has lately developed, with regulation in the foreseeable future directed mainly at protecting the consumer of "mass" insurances — the bread-and-butter lines of most large insurers — must be yet another element in the debate on competition within Europe's insurance industries.

Competition, whether through marketing or price, must by definition be against somebody. The underwriters' complaints about it, particularly when it is exercised by another insurer or a new insurer, are predictable, particularly at a time of above-historic average inflation when all figures the insurance technician has to play with tend to bacome exponential. In this sense no competition based on the rednction of prices or improvemant of policy conditions from the buyer's viewpoint—however small in either case—can be "fair."

Onlooker

This is where tha bafflement of the outside onlooker comes in. Precisely what did the outgoing chairman of Lloyd's, Mr. Ian Findlay, really mean wheo he said last year that Lloyd's would not object to the forthcoming New York Insurance Exchange if it turned out to compete "fairly and openly" for business which until now has increasingly leaked away to London and other overseas markets? More recently a leading U.S. underwriter took the view that New York would either compete aggressively for Lloyd's business and achieve success—still modest in the early underwriting years—or it would uot compete, and fail.

Unusual levels of competitioo between countries or, in the immediate future, groups of countries, and within national markets or spacific lines of bnsiness, are now affacting established underwriting capacity in the older insurance centres in a complex variety of ways.

The most familiar source of new competitive intervention is obviously new national or regional markets, many built up under government or intergovernmental sponsorship. Most nf these are aimed at increasing local or regional retentions in the interest of busbanding hard currency reserves, building up local insurers or simply satisfying national political aspirations regardless of the longer term cost to the country or region.

Many of these, mainly Third Wnrld, capacities bave yet to get off the ground or make any real impsct in the international market. Establisbed underwriters are bound tn be concerned that if and wben such new industries take off, they will be in a strong positioo to keep the good business and only show the bad to the outside world, in the form of bighly controlled reinsurance cessions seeking reinsurance prices.

The Bermuda captive industry, increasingly entering into third-party insurance and reinsurance business unrelated to tbe risks of captives owners, is another example of actively sponsored and partly protected "new market" competition. So, io many people's eyes, is tbe New York Insurance Exchange proposal. Insurance professionals outside the European Community often suggest that the eventual EEC "home market" could develop into a market which will be largely protected from outside participation while being able to push into other world centres in an aggressively competitive way.

The older markets' response to the emergence of the more sophisticated new insurance centres has lately been, "If you can't beat 'em, join 'em." Even UK brokers and underwriters, accustomed to deriving a substantial proportion of their business from North America, are establishing new footholds with subsidiaries or joint ventures in the U.S. surplus lines and special risks markets, and various forms of participation in the New York Insurance Exchange.

German, French, Dutch, Japanese and Scandinavian companies have been busily doing very much the same kind of thing in the U.S. markets themselves, and in the newer centres of liberal regulation (and tax advantage) such as Bermuda, the Caymans and, for reinsurance purposes, Panama. Established foreign market companies, insurers and brokers, now set up Bermuda underwriting and management entities not only on behalf of industrial and commercial risk carriers but as independent concerns reinsuring captives or writing business largely on behalf of their professional insurance parents. London has attracted a procession of underwriting subsidiaries from most of the other world centres.

Mucb recent "excessive" competition, however, bas been of a subtler kind and generated within markets rather than between them. Recession, cost inflation and reduction of premium income for conventional underwriters in main lines of business have accompanied or even caused loss of capacity for more unusual or hazardous risks—liability, marine, aviation—or left that capacity unfilled with business at normal premium rates and the market extremely "soft."

This combination of circumstances tempts new promoters from inside or outside the regular industry to come in and have a go, frequently in the name of specialisation, at premium rates and on policy conditions that would make an old hand cringe. This has produced the famous London "fringe" of usually tiny underwriting firms which range around the markets writing bits of direct, excess and treaty business. So long as such companies have the starting capital and a reasonable management track record elsewhere, they get UK authorisation to operate.

But even the London and other "fringes" are not the end of the competition story. A great deal of downward pressure on already soft markets comes from regular and highly respected groups which may decide under current conditions to venture into a class of business or a territory that they have not exploited before; or, in their own home markets, decide for cash flow reasons not to move premiums up in lina with other tariff companies. Both fringe operations and go-it-alone companies have in the recent past sparked off cutthroat premium competition in many markets, notably Germany's indnstrial fire market, Canada, Australia, South Africa and currently, the U.S.

J. J. Pryor

Underwriting

Heavy pressure on rates

UNDERWRITING RESULTS move in cyclical fashion. Initially the insurer charges a premium and makes an underwriting profit. Then the competition ensures that premium rates are cut, or are not raised sufficiently to cover inflation. Losses then occur and corrective action is taken. Premiums are restored to profitability and the cycle starts again.

There is a time lag between tha insurer receiving the premiums and the claims being settled. Thus it takes a few years for an underwriting cycle to be completed. Consumer pressure and the willingness of insurers to stand a loss in order to buy into the market are two dominant factors that distort the cycle. At present there is a world-wide oversupply of capacity, with more insurers wanting to operate than there is business available—leading to pressure on premium rates.

The U.S. is the main world insurance market—about 50 per cent of insurance business originates in the States. The situation in that country is that it is on the downswing of the cycle. Insurers made beavy losses at the trough of the last cycle in 1974-1975, the worst seen. But the recovery has been quite spectacular and useful underwriting profits were made in 1978.

Premium growth in the U.S. this year is not likely to advance by more than 7 to 8 per cent, even though inflation is now running at an annual rate of 12 per cent. Although there is a strong element of index-linking in sums insured—and thus in premiums—for property and liability insurance, severe competition and rate regulations are bolding back premium growth. Premium rate increases in personal lines have to be approved by the State Insurance Commissioner and there bsve been very few rate increases this year simply because 1978 was profitable.

In these circumstances it is almost inevitable thst underwriting profitability in most lines will declina from 1978 levels. But on top of this first quarter results ware hit by the severe winter and third-quarter figures by the two burricanes—David and Frederic. The market anticipates that the cost of the oatural disasters this year will be the highest in dollar terms — though in real terms anwhere near as bad as the notorious Hurricane Betsy.

The only uncertainty is by hnw much underwriting will have declined this year. Those major U.S. insurance companies that have so far reported their nine months' results are showing an operating ratio higher by 4 to 8 points. Stockbrokers W. Greenwell are forecasting an overall decline of 6 points in the operating ratios for the whole of 1979.

Sensitive

The motor account is the first insurance line to deteriorate in adversa conditions. The rates tend to be politically sensitive and there are few rate increases made this year or even in the pipeline. The commercial multi-peril experienced severe losses from the severe winter, although the underlying trend is still profitable. The index-linking of sums insured helps this account. Commercial liability is a volatile insurance line that is at the mercy of social inflation—the rate of increase of court awards for damages. Workers' compensation is one account which is getting rate increases at present and where the number of claims is under control.

Next year will most likely see the underwriting cycle well into tha downswing with considerable underwriting losses. It takes some time for rate increases to work their way through the accounts. The situation in 1981 is less predictable, and depends on what time in 1980 premium rates start to increase across the board. It is anticipated that motor rates could be lifted in mid-1980, along with commercial rates towards the end of the year. 1981 could overall be as bad as 1980, but with the trough of the cycle occurring early in the year and the second half showing an improvement heralding the upturn of the next cycle.

In Britain insurers have had problems with personal insurance lines for the past few years. Private motor insurance has had underwriting difficulties since the early 1970s—making, with only minor exceptions consistent losses. There has been no problem getting rate increases, even when approval of the Department of Trade was required under price control. But insurers until recently underestimated the rates of inflation, while severe competition acted as a brake on premium increases.

Rising rates of inflation, the severe winter and an increasing number of claims has forced most insurance companies to increase their motor premium rates at least twice within a 12-month period. Until inflation is under control again premium rates are likely to be revised frequently. Despite these rate revisions, the UK motor account is expected to show heavy underwriting losses this year—some forecasts put it as high as £20m.

Changed

On bousebold accounts insurance companies have finally broken with tradition and put np their premium rates for both the buildings and the contents. The basic premium rates, set in the early 1920s were 12½p per ceot for buildings and 25p for contents (originally 2/6d and 5/- in pre-decimal currency). All otber rates stemmed from these basic rates. Now almost all insurance companies have changed the basic rate for contents, undarwriting on a geographical basis and two companies, General Accident and Eagle Star have led the move to alter building rates.

The household accounts have taken a hammering over the past few years, primarily from the effects of inflation. Policyholders did not keap sums insured up to date with inflation, whicb resulted in claims rising faster than premium income. The rising number of thefts, a succession of bad winters and subsidence from the very dry 1976 summer added to the problems.

Looking abroad, the situation in Canada is difficult to predict. Tbe Anti-Inflation Board has left its shadow across the scene and rates are still being held down artificially by some companies. Poor results are expected this year and in 1980 but an improvement in 1981.

Australia presents a grim picture, with severe competition kaeping rates very low. It is only the absence of any natural disasters that have kept losses within reasonable proportians. A repeat of 1974, with its Brisbane floods at the beginning of the year and the Darwin cyclone at the end would send losses soaring. Underwriting in Europe is patchy and hamstrung by anthoritarian controls. But the situation in Holland, after many years of severe losses, looks much brighter, having had the benefit recently of rate increases.

The marine insurance market has been suffering in the wake of the depressed shipping industry. The rates charged, particularly for hulls, bave been inadequate, both from the overcapacity that has arisen and from the efforts of insurers to help the bard-pressed shipowners through a period of economic depression. Shipping prospects are now brighter and the marine market is looking less gloomy. Even so, there bave been heavy marine casualties this year resulting in serious claim payments.

Aviation insurance still remains depressed, with poor figures from hull insurance. The number of major crashes has been about the level expected. But the premium rating still remains inadequate because of overcapacity.

Eric Short

Reinsurance

Market sees dangers ahead

LEADING INTERNATIONAL insurance specialists are alarmed at the conditions now prevailing in world-wide reinsurance markets. They are concerned about the pricing policies, profitability and financial stability of numerous reinsurance groups now operating. Some insurers have predicted that there could be a series of reinsurance collapses in the near future.

If that were to happen the consequences for insurance concerns would be serious, as reinsurance can often prove to be their bedrock.

Reinsurance can assume all or part of a risk undertaken originally by another insurer. It provides the insurer with capacity which enables him to underwrite a larger amount of business than he could otherwise have written. It protects insurers against the accumulation of losses arising out of catastrophes, either from a big individual loss or from a series of small claims from a fire or hurricane.

The use of reinsurance spreads the financial burden on reserves attending the growth of premium income; and it generally reduces an insurer's net liability to amounts considered appropriate to the insurer's financial resources. Reinsurance premiums outside the Comecon countries, and excluding life assurance, now amount to $28bn against direct insurance premiums of $180bn.

In the last 14 years reinsurance markets have become progressively more competitive. Until Hurricanes Frederic and David this year, which are expected to produce insured losses of $1.5bn, about three times the losses caused by Hurricane Betsy, there bad not been a major international series of catastrophe losses since 1965, the year of Betsy.

Although certain large losses have hit the market since then, these bave not been enough to deter any of the reinsurers' groups continuing developing their markets. The absence of a huge series of claims has encouraged domestic insurers to look outside their own markets, wbich were becoming competitive, to enter new ones, develop new business lines, and organise new capabilities such as reinsurance operations.

Reinsurers received a boost in 1974 and 1975. Inflation and the over-investment of U.S. insurers in equities, the values of whicb collapsed with the onset of recession, bit the reserves of the insurance groups. The U.S. was swamped witb recession-inspired losses such as arson, which rose to a much greater frequency than anyone had anticipated.

Surplus lines business, or that business which is hard to place, found its way out of the U.S. market, which was facing huge liabilities on contracting reserves, into Lloyd's and other reinsurance concerns. During that period many overseas reinsurers managed to establish a significant presence in the U.S. as the demand for reinsurance outstripped supply.

According to Conning and Co., U.S. reinsurance volume expressed in net reinsurance premium ran at slightly more than $7bn for 1977. It is estimated that 39 per cent was written by professional American reinsurers, 11 per cent by professional foreign reinsurers, 24 per cent by reinsurance departments of primary companies, and 26 per cent by non-admitted (i.e., not licensed to transact business in the State where the insured risk is located) foreign reinsurers.

By premium volume professional American reinsurers have written an estimated $3.9bn, professional foreign reinsurers $800m, reinsurance departments of primary companies $1.6bn and unlicensed foreign reinsurers $1.9bn.

Gradually

The U.S. reinsurance market has been gradually increasing in percentage terms its share of the total U.S. insurance market. In 1965 total net premiums written amounted to $20.1bn; estimated reinsurance net premiums written were $1.5bn, representing 7.5 per cent. By 1977 total net premiums written amonnted to $72.7bn while reinsurance net premiums came to $7.2bn, representing 9.9 per cent.

The U.S. reinsuranre market has been growing more rapidly than the primary market, but at the same time the foreign share of U.S. reinsurance business has been declining—from $510m or 34 per cent of all U.S. reinsurance in 1965 to an estimated 26 per cent or $1.8bn in 1977.

The U.S. mutual life assurance companies were no slouches at exploiting the local reinsurance market. Prudential Re, part of the Prudential Insurance Company of America, has pushed itself from $51.5m net premiums writteo in 1973 to $231m in 1977. It showed spectacular growth during the period when poor underwriting results emerged in the U.S. in 1974, 1975 and 1976. Between 1974 and 1975 net premiums climbed 63 per cent, and between 1975 and 1976 52 per cent.

But in 1977 growth had slowed to 29 per cent. With stock markets recovering during that period there was a growing tendency for insurers with improved capital bases to retain more of their premiums rather than lay off their risks in reinsurance.

Other U.S. life companies have followed suit. In the UK the largest reinsurance group, Mercantile and General, was bought by Prudential Corporation in 1968. Legal and General bas its own reinsurance arm, Victory and Norwich Union, which has embarked on a joint venture witb the Winterthur Insurance Company of Switzerland.

Reinsurance appeals to the life majors because it can maximise the use of their assets—as investments generating dividends, reot or interest and also as backing for insurance premiums which produce further investment income, capital gains and sometimes underwriting profits.

Moreover, with the reinsurance companies' natural bias for risks witb long pay-out periods and catastrophe risks, reserves can be built up producing income over a long-term period.

The unease that now exists among established reinsurers is well-founded. There is a large amount of "innocent capacity" operating in world reinsurance markets. The phrase "innocent capacity" describes those new brokers and underwriters who bave emerged in the 14 years since Hurricane Betsy. A high proportion of reinsurance executives have never experienced the effects of a really major international loss, particularly on their own account.

The inexperienced underwriters are playing an increasing role in international reinsurance and they are serviced by similarly inexperienced brokers.

Reinsurance markets are curreutly dominated by a world-wide weakness in premium rates caused by the excess of reinsurance capacity; the ability of brokers aud the ceding companies to take maximum advantage of present market capacity: a shortage of professional reinsurers with a wide expertise and experience of the problems of funding for large losses; aod high Interest rates whicb are stimulating a tendency to underwrite merely for cash flow purposes.

"Cash flow" underwriting appeals to those concerns who wish to maximise return on capital. To do this they can take on more hazardous third party liability exposures, where claim settlements might be delayed for many years. This could materially increase investment income and return on capital.

If the casb flow theory of underwriting is followed and competition increases it could lead to reinsurance business being underwritten at marginal or unsound rates so as to increase investment income. Underwriting losses could wipe out any profit made from investment income.

In these markets the security of many reinsurers is open to question. Even some of the more established reinsurers are under-capitalised, overtrading and underwriting at a loss. Not only is assessment of reinsurance group underlying security difficult; identifying where the risks are insured in the market is becoming impossible.

Many risks are co-insured, reinsured, occasionally the subject of reciprocal exchanges, retroceded, reretroceded and at each stage may well bave catastrophe protection added. One weak link in the chain could impose strains on even the soundest reinsurance group.

Although there have been rumblings that the catastrophes of the past year may have started to sbake out the market, there is little real evidence that the more amateurisb competition has withdrawn. An unusually serious wave of losses will be needed to bring order into the market, but at that stage the uoderlying financial supports of the market may be so weakened that the consequence could be dire.

John Moore

Government Intervention

Area of growing involvement

DESPITE RENEWED talk in London and elsewhere this year of international action on governments' intervention in insurance, it is a fair guess that the world's insurance professionals will bave to go on learning to live with variable amounts of public involvement in the business in the foreseeable future. As was the case almost 25 years ago, the suggested forum for sucb world action against State restrictions on international insurance flows is the GATT, as part of that body's attack on barriers to invisible or service trade—or possibly, in the early stages, the OECD.

To invoke the OECD as a possible action group against international insurance discrimination and restrictions is significant. In a rapidly changing climate of public sector involvement in the insurance business, it is by no means only the newer Third World countries which are "guilty" of contributing to the obstruction of the free flow of underwriting business between markets and the distortion of reasonable competition between them.

International insurance law experts now believe that the post-war era of straightforward nationalisation of insurance or establishment of new state insurance and reinsurance monopolies may be over, if only because there are now relatively few markets left that could credibly be taken wholly or partly under government control.

Some Third World national insurance corporations have become efficient organisations run on sound underwriting and financial principles, but many were formed hastily as a rather crude response to the same national aspirations which prompted new nations to acquire a state airline or TV network as soon as possible after political or economic independence was secured. It is likely that a number of Third World governments have since regretted going it alone on insurance and excluding foreign insurers from their territories. Rising underwriting and claims costs in an under-capitalised industry is not the happiest combination for a developing insurance market.

Reaffirm

On nationalisation and direct State intervention, it can be noted in passing that only two weeks ago a working party of the British Labour Party decided to reaffirm the party's intention, when returned to power, of taking the leading composite insurers and life offices under public ownership. This was despite fierce opposition from the trade union movement, the party's main supporters, and the fact that leader James Callaghan last year described the proposals as an "electoral albatross" and not part of the Parliamentary Labour Party's programme.

The trend is of course sometimes in the other direction, but usually under still close government supervision and in any case mostly in some of the quieter corners of the world insurance community. In the past year or two the international market has observed with interested anticipation the de-nationalisation of the Korean Reinsurance Corporation, started as a State company; the de-monopolisation (though not sell-off) of the Insurance Corporation of Sri Lanka, with approval for that Corporation and local and foreign private insurers to establish operating companies in both the domestic market and on a free-zone basis; and Egypt, whose industry has been fully nationalised since 1959, opening its doors to foreign private insurers, again on both free zone and domestic market bases.

Insurance professionals in the older established markets, however, believe that most of the future restrictions on their international business will be through partial intervention by governments and intergovernmental bodies and, even more, by indirect government and public authority action which has a marked if sometimes unintended effect on insurance transactions both within national markets and across frontiers.

The most recent example of the ending of an indirect action affecting insurers was the abolition last month, after 40 years, of UK exchange controls. On the face of it this will make the movement and management of UK-owned reinsurance funds, insurance deposits and investments abroad easier, although continuing controls elsewhere will still inhibit the rapid movement of earned balances out of one foreign country to effect reinsurance settlements in another.

Indirect

Other indirect restrictions—indirect in the sense that they may not be applied directly or specifically to the insurance business alone—are discriminatory taxes against foreign enterprises operating in a country; local investment direction; and control of remittances of profit, locally earned dividend or local established solvency in excess of requirements.

There are, however, enough variations in specific insurance supervisory controls from territory to territory around the world to keep international insurance promoters and their legal advisers guessing hard and running fast for many years to come. Basic controls by governments are almost universally accepted as essential for the maintenance of orderly national insurance markets and the protection of domestic policyholders' rights and interests. Licensing or authorisation of underwriters, minimum solvency margins and public accountability of companies are recognised as standard practice.

But when supervision extends into the direction of investment over and above solvency and deposit requirements; or into prior approval by the supervisors of premium rates, terms and conditions over broad classes of business, particularly with discriminatory penalties against non-resident insurers, foreign underwriters predictably become restless.

A second large and growing category of discriminatory State intervention has the closely related aims of limiting the drain of a country's foreign exchange reserves and increasing domestic retention of premium to help the growth of the local insurance industry and capital market. This objective is usually secured by restrictions on nationals insuring their risks abroad and on local insurers ceding business to overseas reinsurers; a requirement that local direct companies cede all or part of their reinsurance to a central state corporation or retrocede it back into the domestic market; and/or a requirement that all outward reinsurance arrangements be notified to and sanctioned by the supervisory authority.

Two years ago, international reinsurers hoped that the Argentine State reinsurer INdeR, one of the first of the Latin American government reinsurance institutes, would be deprived of its 30-year-old reinsurance rights by the new military government. Instead it was merely transformed from a direct State agency into an autonomous public corporation.

Meanwhile both Australia and New Zealand are contemplating proposals to restrict or control insurance and reinsurance with overseas underwriters, for similar balance of payments reasons. Australia's latest Insurance Act Companies Act provides for such restriction, but the relevant clause has yet to be enforced and the government made it known last year that, if introduced, the control would be applied with a very light hand.

J. J. Pryor

Lloyd's of London

'Club' management under review

WHEN Sir Henry Fisher's working party completes its study of self-regulation at Lloyd's of London—possibly by the end of March next year—the ruling committee of Lloyd's will have to consider a series of recommendations which, if implemented, may lead to some of the most extensive reforms that this insurance market has ever seen.

In an address last week in London, Mr. Ian Findlay, chairman of Lloyd's, told representatives from the UK insurance industry that the powers of the 16-strong ruling Lloyd's committee "may possibly now not be sufficient." He added: "I need not elaborate on any of the current *causes celebres* at present stirring the Lloyd's market. Suffice it to say that the traditional self-regulatory processes that have kept Lloyd's in equilibrium in the past have been brought into question. We have seen fit to ask Sir Henry Fisher to inquire into our process of government and to see whether the powers of the committee need to be strengthened."

What would emerge would be Lloyd's systems and powers "made relevant to present day conditions rather than a root and branch reform," he said, and concluded: "I cannot really believe that the time has come when Lloyd's as a society of underwriters and as an insurance market needs a governing body equipped with and ready to use ever more draconian powers in the maintenance of law and order."

Mr. Findlay warned that "if it ever really came to the point where the people at Lloyd's had to be dragooned, policed and watched at every turn: if it really came to the point where one expected good faith, honesty and decency to be the exception rather than the rule, then one might well wonder whether it was worth carrying on at all."

Shared

This belief is widely shared by others in the Lloyd's market, particularly by those that believe Lloyd's is a unique survival of an age of rugged individualism which has long since disappeared from the City and is fast vanishing from the commercial world in general.

In support of the traditional freedoms of the Lloyd's market they point to the growth of the institution—from small beginnings in a 17th century coffee house to one of the most important insurance organisations in the world, with an annual premium income of over £2bn.

This, they argue, has been achieved as a direct result of the willingness of the market to embrace innovation, providing insurance cover to match ever changing needs and technological advance. At one time Lloyd's was concerned exclusively with the insurance of ships and their cargoes, but now it has the reputation of being a market in which any risk can be covered from a space satellite to the family car.

These developments have been fostered in a environment which has given much encouragement to the entrepreneur and private enterprise. And the individual freedom of the working members of the community has been respected by the ruling bodies.

To understand why, it is important to remember that Lloyd's is a market and not a company. It has no shareholders and the role of the Committee and Corporation of Lloyd's (the latter organises the market) is largely administrative, taking no share of the profits. It is the 17,278 underwriting membership of Lloyd's who back the risks, receive the profits and bear the losses.

The large private underwriting membership lend their names and their capital to one or more of several underwriting syndicates, each of which accepts insurances on the syndicate's behalf. An individual member is credited with his small proportion of the premiums and is liable to pay a corresponding proportion of any claim. The member's liability is limited to what is done in his name.

Since a syndicate is not a partnership he is not liable for what is done in the name of any other person. But his own liability for the share of the risk accepted on his syndicate's behalf is unlimited and he must answer for it to the full extent of his personal wealth. Moreover, though Lloyd's syndicates as a whole may show a profit in any given year, an underwriting member's syndicate may have been unlucky or unskilfully conducted so that he ends up with a loss.

Only about a quarter of the 17,278 membership actually works in the Lloyd's market, handling the affairs of the vast sleeping membership which, like shareholders in public companies, provides the capital for the market to function.

Because of the size of the commitment required by individual members joining Lloyd's—usually, means of at least £100,000 must be shown—the relationship between a non-working member of Lloyd's and his underwriting agent, the Lloyd's professional who manages the member's affairs for him, must enjoy a high degree of trust.

When the Lloyd's market was much smaller it was relatively easy for the underwriting agent to establish regular contact with the members whose affairs he managed. In fact the close relationships which most components of the market forged with each other gave Lloyd's its club-like image.

Widen

This has changed in recent years, particularly since the mid-sixties. Then, a period of unprofitable underwriting, mainly the result of Hurricane Betsy, led to a fall in new membership just at a time when new underwriting capacity was needed. Lloyd's studied the problem and decided to widen its membership.

Overseas membership was introduced in 1969 and women were first admitted in 1970. Latest figures show that there are 1,650 overseas citizens and 3,134 women among the 17,278 membership at January 1, 1979.

Between 1976 and 1979 the membership has doubled and next year it could stand at over 18,500. This huge increase in membership has come at a time when there is already too much insurance capital, or capacity, seeking business volumes which have not grown at the same rate. At the same time the expansion of membership has placed strains on the management organisations of the agents which manage the members' affairs.

Lloyd's business volumes have been hit by protective legislation in emerging countries, the generally adverse economic situation, the recession in the shipping industry and the emergence of other markets. European insurance companies have expanded into overseas markets; captive insurance companies have been formed by large multinational companies; and a New York answer to Lloyd's—the New York Insurance Exchange—is just starting up.

Results for the next year or so are expected to be poor or at best mediocre. Hurricanes Frederic and David could produce total insurance claims for international insurers worldwide of $1.5bn and will leave their mark on Lloyd's. Computer leasing insurance claims—the largest catastrophe outside natural disasters that Lloyd's has ever faced—could produce losses of $225m for Lloyd's membership.

There are controversies surrounding some of largest insurance brokers in the Lloyd's community as well as working underwriters.

Lloyd's argues that the controversies are a reflection of the competitive conditions in which the market is operating. In order to secure business both brokers and underwriters are sometimes neglecting traditional commercial prudence and occasionally circumventing accepted market procedures.

But the wider membership is becoming increasingly concerned that its committed capital may be put at risk in an unacceptable and untoward fashion. While all are prepared to pay up on valid insurance claims, they are less likely to be prepared to pay up on a series of claims which may have arisen because of a breach in Lloyd's accepted procedures and inadequate policing of the Lloyd's market. This type of problem has caused strains in the market in the last year, particularly in the Sasse affair.

This is why there is likely to be continuing pressure on Lloyd's to modernise and formalise its self-regulatory mechanisms. Some of the rules will have to be further backed by the force of law: but if the majority of the market is operating under the community's accepted principles this should have little bearing on its freedom of enterprise.

John Moore

PREMIUM INCOME RESULTS
(Total results and membership statistics)

	Premiums £m	Underwriting or technical profit £m	Ultimate profit (after other debits and credits)* £m	Membership
1950	178.3	17.87	13.09	2,743
1951	195.6	22.11	18.40	2,913
1952	217.7	24.94	21.73	3,157
1953	226.3	31.49	24.89	3,399
1954	231.6	22.23	15.88	3,618
1955	232.4	17.84	12.82	3,917
1956	251.0	8.78	5.66	4,177
1957	276.4	12.00	9.70	4,286
1958	301.5	17.49	14.14	4,499
1959	319.9	25.86	22.37	4,669
1960	342.5	32.35	29.90	4,808
1961	346.1	26.91	24.47	4,937
1962	358.3	22.50	17.79	5,126
1963	369.1	10.49	5.47	5,312
1964	389.1	4.41	0.59	5,544
1965	461.4	(40.24)	(37.86)	5,828
1966	531.3	(16.44)	(18.57)	6,062
1967	601.7	(3.25)	(1.63)	6,079
1968	668.2	23.43	35.59	6,059
1969	693.7	34.95	52.10	6,042
1970	786.8	53.89	64.97	5,999
1971	871.3	76.13	77.43	6,020
1972	957.4	77.94	91.99	6,257
1973	1,190.9	61.97	109.67	7,105
1974	1,538.9	22.63	81.60	7,562
1975	1,582.0	86.43	135.16	7,666
1976	1,703.2	96.50	122.76	8,565
1977				10,730
1978				14,091
1979				17,278

* Credits include net interest from investment of underwriting funds, and other credits from the appreciation of invested premium, plus exchange gains. Debits include management expenses, investment depreciation, currency losses, subscriptions and other levies.

European Community

Much debate but little advance

EVEN THE most steadfast enthusiasts for the concept of an unrestricted insurance market in the European Community must now find it hard to see how the essential legal and technical environment for such a market can be put into place before the latter part of the 1980s at the earliest. In the past year or so there has been more debate at expert and professional level in Brussels and other EEC capitals on topics bearing on the ultimate goal than at any time since the insurance common market idea was first thought of 20 years ago. But real progress towards a genuine multi-country "home market" for the unrestricted conduct of all types of insurance business right across the Community seems as elusive as ever.

Several new insurance-related items have been put on the table in Brussels this year. These have ranged from EEC relations with the closely linked Swiss insurance industry — which will produce an agreement on Swiss insurers' rights of establishment in the Community by the end of the year—to the more esoteric consideration of legal expenses covers and product liability. These have perhaps diverted some attention from the fundamental problems of harmonisation in the fields of company establishment, freedom of insurance services and, more especially, choice of law for insurance contracts which remain to be tackled.

Insurance industry leaders around the Community have learned to live with painfully slow progress on a global Community policy for insurance. Ordinarily the snail's pace approach could be seen as a positive advantage. So long as the EEC system requires that regulations, once finalised, shall not be reversed, it is incumbent on Commission draftsmen and everyone else involved in their development to see that they get the rules right. In an industry as complex as insurance the need to avoid false starts and conflicts in new directives is particularly important in relation to national companies' commitments to markets outside the Community and varying dependence on them for business.

In the present state of the Community, however, the lack of real progress on insurance must be regarded in Brussels as particularly discouraging. Insurance harmonisation is in danger of falling victim to the present wave of irritation with the Commission's efforts to re-assert the primacy of EEC rule-making and concerted action over national regulation and bilateral agreements. This impatience with what is seen as Brussels' legalistic, bureaucratic and often muddled approach to the practicalities of Community development has been shown particularly by the British, who happen to control Europe's most flexible and internationally active insurance market, if not its largest in premium volume terms.

In recent months the issue of harmonisation of the law of insurance contracts, and especially the choice of national law for drafting such contracts and resolving disputes, has emerged as a major sticking point on the

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Captive Companies

Assessing the advantages

A "CAPTIVE" is rather like an executive jet—in the world of American business today a captive insurance company is a corporate status symbol that any multinational with pretensions to greatness can scarcely do without. Having ignored insurance for decades American businessmen suddenly became aware of the cost of insurance protection after the massive premium increases that most of them suffered in 1975 and 1976.

Captive insurance companies, which had until then been little known outside tax-avoidance circles, suddenly came into prominence as American businessmen sought ways out of their insurance crisis and as lesser corporations' insurance bills rocketed to levels which had previously been experienced only by the pioneers of the captive movement, such as Exxon, Ford and Mobil Oil.

Between 1974 and 1978 captives have been formed by most of the companies in the Fortune 500 as well as many others, so that by December 1978 there were probably about 1,000 captives in existence in Bermuda, Grand Cayman, Colorado and elsewhere. After this hectic growth the rate of captive formation has slowed down in the past year. But despite attacks from tax authorities and conventional insurers, this suggests only that the captives are entering a period of consolidation not decline.

In Britain on the other hand, the concept of captive insurance has only recently begun to catch on. All the major London insurance brokers have provided some form of captive management service since about 1976, but it is only in the past two years that they have been advising their British clients to look at captive formation as a serious alternative to their traditional insurance schemes. Now that exchange controls have been abolished the opportunities for captive formation have been greatly enhanced. Brokers report a steady increase in demand for captive feasibility studies from British companies.

But the traditional insurers' hostility to captives can still be discerned, despite some attempts at co-operation. For despite their connections with tax avoidance and the pall of secrecy under which they operate, the captives are basically just like any other competitors in the insurance market. Their main purpose is to deprive the established insurers of some of their best business. The captives can do this because of a basic flaw in the way most insurance markets operate.

The insurance mechanism does not differentiate adequately between good and bad risks, with the result that some companies have consistently low ratios of losses to premiums paid. In effect the "safe" well managed companies, where fires and accidents are infrequent, subsidise the badly managed ones, which pay the same premiums. In addition, it is argued, that conventional insurance rating gives little financial incentive to clients to improve their methods of loss control.

Reward

A company that decides to fund its own losses, on the other hand, is able to reap the full rewards both of its existing precautions and of any improvements which it may decide to introduce. Britain's Tesco Stores, for example, embarked on a programme of self-insurance for burglary losses in 1971. It used part of the premiums it would normally have paid to invest in a new system of burglar alarms and preventive devices. According to Tesco's finance director, Mr. Peter Uttley, who is one of Britain's most outspoken advocates of captive insurance, Tesco's burglary losses had been reduced by 80 per cent.

Many companies that installed expensive sprinkler systems in the 1960s had the same sort of experience and were frustrated at conventional insurers' refusal to give full credit for these precautions until several years of superior experience had been developed.

The biggest revolt against the traditional insurance market took place in America after the "liability explosion" of 1974-76, when insurers reacted belatedly to escalating injury compensation awards handed out by American courts by imposing blanket increases of up to 500 per cent on product liability and medical malpractice insurance premiums. Many industrialists and doctors believed the insurance companies lacked the specialist knowledge and the management resources to enable their rates to reflect accurately the true risks faced by individual clients, with the result that many were grossly overcharged.

One captive founded by a group of Californian doctors, for example, employed investigators in Las Vegas to check up on its members' gambling habits, having discovered that gambling debts were closely correlated with medical malpractice.

It is the insurance market's inability to discriminate between good and bad risks that accounts for the main benefits of captive formation. But this does not explain why industrial companies have found it desirable to set up their own insurance subsidiaries, instead of merely charging accidental losses to their normal operating expenses or setting up self-insurance reserves to help even out the inevitable variations in accidental losses from one year to another.

Fully fledged captive insurance companies have three great advantages over simple self-insurance reserves. First, as insurance companies, captives have access to the reinsurance market. So large risks that the parent cannot afford to finance can be placed at very competitive rates. At the moment this is perhaps the greatest single attraction of captive formation, because reinsurance rates are extremely low. Cheap reinsurance makes it possible for a captive to take on huge risks even in its first few years of existence, when its capitalisation is still very low.

In view of this it is surprising that many of the captives currently being formed in Britain share their risks with the direct insurance market, at tariff rates, by means of co-insurance, rather than with reinsurers. The only explanation for this is that the traditional relationships between many industrial companies and the established tariff insurance offices are too strong to allow the direct insurers to be cut out entirely.

Enhance

Secondly, the existence of a well organised captive helps to enhance the status of risk management within the parent organisation. This means more than just the promotion of a lowly staff insurance buyer to an important position in line management. It makes it possible to monitor the self-insurance programme, to invest funds sensibly and to increase over the years the proportion of risk that the parent can retain.

Thirdly, and most important, captives have big tax advantages. If a captive is recognised by tax authorities as a true insurance company then the premiums the parent pays to it are tax-deductible. Contributions to self-insurance reserves are taxed in all countries other than the Netherlands and Norway, although, when a loss actually occurs, the self-insuring company can deduct the cost from its taxable income. A captive enables the parent to take its tax deductions immediately and regularly, rather than having to wait for accidents to happen.

Furthermore, if the captive is sited in a tax haven such as Bermuda, and if the premiums paid to it are high enough to enable it to make a profit, tax can actually be saved and not just deferred, since profits in Bermuda are tax-free, while the premiums that gave rise to them are tax-deductible.

The tax treatment of captives is not, however, as generous as this picture might suggest. The U.S. Internal Revenue Service (IRS) has been sniping at captives since 1962, when it started taxing captives which insured U.S. risks as if they were resident in America, irrespective of where they were in fact based. In 1977 the IRS published a much broader ruling, which stated that premiums paid by foreign subsidiaries of American corporations to offshore captives would be treated as "constructive dividends" to the American parents unless the captive could prove that it was a genuine insurance company.

To do this it would have to spread risks away from the "economic family" which the parent corporation and its overseas subsidiaries were deemed to comprise. In other words, a captive which insured only its own parent, would be deprived of all tax advantages.

The IRS ruling of 1977 was a serious blow to the captives, but until it was tested in the courts optimists could try to ignore it, take their tax deductions and hope that the IRS would not put up a challenge. Earlier this year, the captive movement suffered its first decisive defeat, when the U.S. Tax Court upheld an IRS decision against the Carnation Company's captive, Three Flowers Insurance. While the way that Carnation set up its captive had several peculiarly damning features, there is a degree of resignation among captive managers that similar cases against other captives will also stick.

Conventional insurers who have always suspected that many captives are established largely for purposes of tax avoidance may be inclined to celebrate the IRS victory and interpret recent indications that fewer captives are being formed as a sign of the whole captive movement's demise. That would be premature. Even after the Carnation decision existing captives have continued to grow and some American captives are still being formed. In Britain the captive movement is only just taking off, though this may be partly because the Inland Revenue has yet to mount a serious attack on the tax advantages.

Many industrial risk managers believe that captives can be profitable even if they are treated by tax authorities as harshly as self-insurance reserves by tax authorities. Captives, risk managers emphasise, are established to force the conventional insurance market to give their parents a better deal. Over the next few years, if insurance rates round the world continue to fall, the need for captives may diminish. But most risk managers will want to keep their captives active, so as to have them ready as a competitive threat to their conventional insurers the moment that insurance rates begin to rise.

Anatole Kaletsky

Community

CONTINUED FROM PREVIOUS PAGE

stony road to an unrestricted EEC market. After protracted consultation between Commission specialists and member States' negotiators, insurance professionals and lawyers, a draft directive was submitted to the Council of Ministers in July. Opinions on it from the EEC Economic and Social Committee and a committee of the European Parliament are expected later this month and the Council has set up a working party to study the proposals.

A general standardisation of insurance contract law has emerged as a crucial precondition of the eventual workability of the draft non-life Freedom of Services Directive, which is still being negotiated in Brussels. But in August a working party set up by the English and Scottish Law Commissions issued a report seriously criticising radical conflicts between proposed rules on the choice of law for insurance contracts and for contracts generally in the Non-life Services Directive and a draft EEC Convention on the Law applicable to Contractual Obligations (the Obligations Convention).

The UK working party points out that the Non-life Directive as now drafted wants the law of the member-country where the insured risk arises to be the law under which policies will be drawn up and claims and other disputes tested — except for large commercial non-life, marine, aviation and transport and, apparently, reinsurance contracts where no consumer protection is involved and the parties can choose the legal system best suited to the contract.

The Obligations Convention on the other hand, wants the law with the closest connection with the intentions of the contract to be used. The UK lawyers, at least, prefer the "closest connection" approach, saying that the Non-life Directive's rules classifying risks and specifying types of insurer to be covered by its choice of law provisions are either too complex, unclear or commercially unrealistic to work.

After a very long interval since the adoption in the 1969 of the original uncontroversial directive on freedom of reinsurance within the Community, the past 18 months have seen the adoption of generalised rules on the right of establishment of insurance intermediaries in member-countries other than their own; the belated adoption in member-States of the Non-life Establishment Directive, including rules on companies minimum solvency, local deposits and investments, and risk classification for licensing purposes; the effective completion of a Life Insurance Establishment Directive; and the adoption by the Council of a directive on Community-wide freedom for the coinsurance of high-risk, high-premium commercial business.

The investment provisions have proved somewhat controversial, particularly in relation to Switzerland's bid for an accommodation with the Community, while adoption of the solvency criteria into national insurance laws has produced some rush to build insurers' assets in under-capitalised markets and, in Italy, a few insolvencies and enforced liquidations.

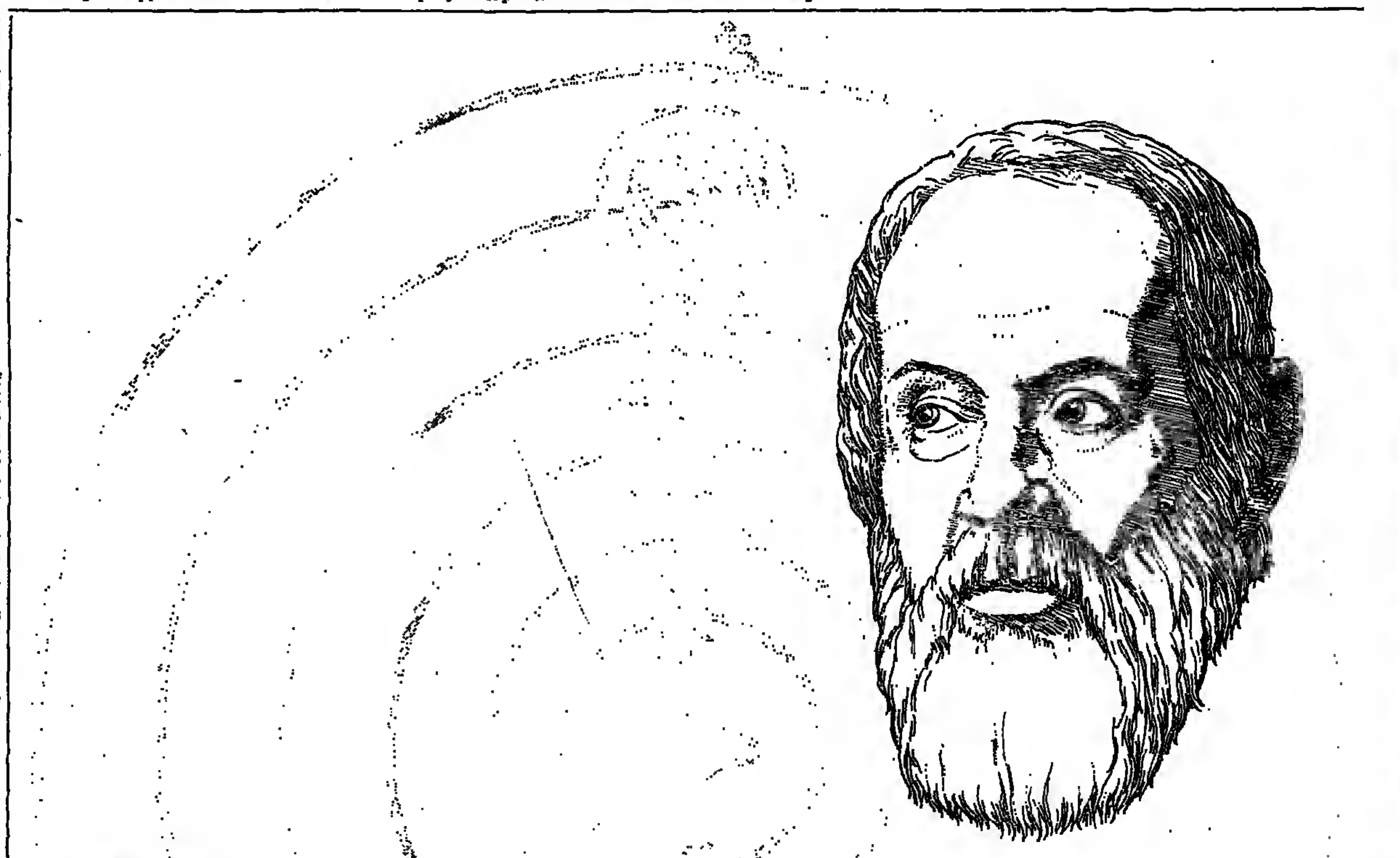
Besides the crucial contract law regulations and the Non-life Services Directive itself, rules for the unrestricted sale of life insurance contracts still have to be finalised. And within the directive on non-life business there are large areas of doubt on the future separation of funds between the major sections of the industry, life and non-life; and on promoters' future rights to form and operate composite and other multi-line companies writing classes of business which one or other national insurance law (or proposed Community regulations) say must be written by separate companies.

This has caused considerable debate on the future of the large UK composites and of, for example, Italian mutual insurers which seek to insure both third-party liability and direct general accident business. The proposed legal costs insurance directive seems to be aimed largely at West Germany, where this class of business originated, and at resolving the present ban there on the same company writing both legal costs and general insurance.

In the last year or so the insurance industries of the Nine have become more closely involved with EEC policies on consumer protection and competition, and hence in the question of the pricing of services. This trend in Brussels policy development has unfortunately coincided with economic recession, which is producing quite severe competition within European national insurance markets.

On the long-term side of the business—life assurance, insured pensions and annuities—considerable variations have developed between EEC member-countries in the real cost of protection and the return on policyholders' savings: last year a European consumer organisation discovered that UK life policies were the most cost-effective by a significant margin.

J.J.P.



The United States

Onset of a downturn

THE U.S. insurance industry may well look back on 1979 as one nf its most eventful years, with record catastrophe losses on the one hand and regulatory breakthroughs like the establishment of the New York Insurance Exchange on the other.

The big losses were caused mainly hy Hurricanes David and Frederic, which smashed their way through large parts of the southern and eastern U.S. in late summer. Although David got the most publicity because of the havoc it wrought in the Caribbean, it was Frederic which caused the most damage in the U.S. The total insured losses turned out to be $752m, surpassing the previous record of $715m set hy Hurricane Betsy back in 1965 — though in real terms of course Betsy must still be rated the leader.

These losses came at an awkward time for the U.S. insurance industry which is entering one of its periodic downturns. Although most of the large companies managed to keep their heads above water, several reported sharply redneced third quarter profits. Continental Group, for instance, suffered losses of $22.8m, and Aetna, the country's largest property damage company, lost $26.2m, of wblch $23m was directly attrihutahla to David and Frederic.

Fortunately, though, the third quarter coincided with a surge in stock prices which took the Dow Jones industrial average above the 900 mark, and hrought the insurance industry some sizeahle securities gains to offset their catastropha losses. INA, for instance, reported securities gains of $5.2m compared to a loss of $11.6m in the corresponding period last year.

These results were a strong vindication of the insurance industry's claims that this downturn would not be as had as the last one in 1974-75, precisely because companies had deployed their resources better and had stronger reserves.

Whether those claims will hold for the fourth quarter is a different matter. Only six days after the quarter opened the Federal Reserve Board introduced its new credit policy, which triggered off a sharp increase in interest rates and one of the worst dives the stock market has ever seen. There are plenty of indications that tha institutions did not join the rush to get out of stocks (hrokers reported that the panic was caused mainly by small investors). In which case they will have taken large paper losses. On the other band they also had a golden opportunity to huy stocks cheaply and to lock themselves into high yielding instruments, all of which should belp their finances later.

Mr. Morrison Beach, chairman of the Travelers Corp., said of the fed's credit package: "One immediate effect was a sharp rise in yields on fixed income securities. We are continuing our programmes of investing the cash flow of the property damage business primarily in tax-exempt bonds, and of the life business in mortgage loans and private placement corporate honds. The higher yields will have a favourable effect on investment income."

Holding

But while the catastrophes exaggerated tbe down-trend in property damage insurance, other lines of business like life and bealth insurance appear to he holding up. Tha experience at Aetna, prohsbly America'a most hroadly hssed insurance company, is fairly indicative of the trend. Its third quarter report said that pre-tax underwriting profit on the property account in the first nine months was $75.9m, down 45 per cent on last year. But group life, health and pension revenues were up to 25 per cent to $4.5bn. Individual life health and pension revennes were np 5.8 per cent. As a result Aetna expects year-end figures to show on balance "satisfactory" earnings growth.

One of the prohlems that the insurance industry is pleased not to have to grapple with this year is intense puhlic scrutiny of its finances. Partly because the heat of competition in a down cycle has kept premium increases to a minimum, and partly because huge oil company profits are grahbing the headlines, insurance premiums are not the political issue they used to be. But the rising cost of such items as car repairs and medical attention are a major concern to the industry, and are expected to erode profit margins.

INA reported that its combined ratio (of losses and expenses to premiums) had risen in the first nine months from 99.8 per cent last year to 101.9 per cent this year. Although this is by no means alarming, it illustrates a trend which is expected to take the ratio up to 103 or 104 for the indusry as a whole.

However, the fundamental soundness and asset strength of the insurance industry has been amply demonstrated hy the flattering takeover interest from abroad. Tsking advantage of the weak dollar to buy into the U.S. market, several European companies have made some qulte sizeable purchases this year.

Last March Nationala Nederlanden, the leading Dutch insurance company, made a successful $350m bid for Life of Georgia, one of America's largest life insurance companies in the south west. Shortly afterwards, Allianz of West Germany waded in with a $370m hid for Fidelity Union Life Insurance and North American Life and Casualty of Minneapolis.

Most recently, Britain's Sun Alliance spent nearly $50m buying 9 per cent of Chubb, madium-sized insurance cor pany best known for its pr perty damage, marine and bon ing business. Sun Alliance sa it might buy more Chuhh stoc later, though it did not have ar plans for a takeover.

Internally, too, there hav been dozens of takeovers in th past two years. Most of the are quite small and result fro consolidation moves by min companies. Bnt some of th larger ones, like Lincol National's $122m bid f Security Connecticut, an Southern Pacific'a $258m bid f Ticor, the country's largest tit insurer, are signs of a maj ahake-out in the industr Aetna'a purchase of America Re-insurance Company was als an eye-catching diversificatio

The industry is also exper menting with new ideas, but is too soon to say how succes ful they will be. The mo puhlicised New York Insuranc Exchange has been delaye because of various regulator problems and failure to fin premises. Meanwhile, the Stat of Illinois has emharked on similar scheme, designed to fre the insurance industry fro some of the regulatory shackle which have hampered i growth. If both get off th ground and are a resoundin success, they could in the longe term pose something of a cha lenge to Lloyd's of London traditional supremacy, thoug their opening husiness i expected to be tiny b comparison.

David Lascelle

Life Offices

Pensions the spearhead

UK life companies bave relied on company pensions husiness for much of their growth over the past three decades. At the end of 1978 they had pensions funds nnder management estimated at least £10hn out of total funds in the ordinary branch of £31bn.

This dependence on pension scheme husiness has arisen from the system of providing pensions in the UK. In this country it has been employers who have provided most of the pension that their employees will receive, through the medium of a company pension scheme. Tbe role of the State had been confined to providing a basic flat rate pension at s low level. This is in complete contrast to most other European countries where pension provision is very much a State responsihility.

But last year saw the introduction of the new State pension scheme, which, when it reaches maturity in 1998, will provide a pension related to the level of an individual's earnings and will spproach the level of pension provision on the Continent.

However, this move has not—as once faared—meant the displacement of life companies from their role in providing company pension schemes. The design of the State scheme offered employers the choice of putting their employees fully ioto the State scheme, or contracting them out into a company scheme. In the event over 20,000 employers, double tha number expected, contracted out around 12m employees—a tribute to the reputation of life companies in the pension field.

Boom

Thus 1978 was a boom year for pensions husiness and the life companies received their share—hoth from new schemes being set up and from benefits heing improved on existing schemes. Total new premiums received advanced last year hy 41 per cent from £617m to £872m.

But this boom is likely to be a one-off henefit to life companies. The introduction of tbe new scheme meant that all employers had to decide whether or not to set up a company pension scheme. Those who have gone into the State scheme are not likely to contract out at some future date. Life companies can in future expect very little new company pensions business hy way of new schemes. Future growth will come from improving the benefit levels in existing schemes. Pensions are related to final earnings and new premiums will increase in line with earnings inflation as benefit levels are topped up each year.

The role of the life companies in these company pension schemes is also undergoing change. In the past the life companies did everything under what was classified as insured schemes—benefit levels carried a high level of guarantee, investments were in a common pool and the profits on those investments were used either to improve henefits or reduce the company's contrihution. The employer had little or no involvement other than provide data and pay the premiums.

But over the past decsde or so there has been a trend for the company, and the trustees who run the pension scheme, to become more involved in their pension scheme. There is a need to identify the funds assets, and to have some control over the investment policy. This trend is likely to accelerate as funds grow in size and as employees and their trade unions become more involved in these schemes.

This has led to the formation of managed funds run hy life companies. These are essentially unit trusts, exempt from tax, with the investment income automatically reinvested. The pension fund does its investment hy huying units in the fund. There are a variety of funds availahle covering a wide spread of investments—UK and overseas equities, property, fixed-interest, cash and so on. The managed funds run by life companies have now reached £3hn of which Legal and General, the largest company in this field, has funds totalling £1.3bn.

With the company pension field comparatively static for new business, the life companies hsve turned their attention to the executive pensions field and the self-employed pensions market. Official figures are not collected for executive pensions since many life companies aggregate this business with company pensions. But many life companies have heen reporting premiums more than double for this type of business.

The market for self-employed pensions has never realised its true potential despite the fact that the self-employed only get the basic State pension on retirement, even under the new scheme. But this market is growing steadily. Annual premiums in 1978 advanced by 46 per cent to £79.5m and single premiums hy 28 per cent to £71m.

The past decade has also seen a complete revolution in the use of life company products as savings media. Before then almost all savings was transacted through with-profits endowment assurances on a regular savings hasis. The introdnction of the unit-linked concept added a new dimension to life company savings.

The introduction of the unitised principle meant that the inventor was closely identified with market movements. When the market went up so did the value of his units—an down when the market fell Because there are no invest ment guarantees, the invest ment manager has more free dom to invest and offer a highe return than with traditiona with-profits. The investor unde unit-linked has greater flexibi lity over the timing of cashing in his investment.

Single premium bonds enabl the investor to put lump sum into life contracts, getting th benefit of the favourahle ta treatment of life companies an a wide spread of investmen vehicles such as property an fixed interest.

Unit-linked business in 197 accounted for one-fifth of new annual premiums and four-fifths of single premiums. The proportion of annual premiur business has continued to rise in 1979. It is expected that almost all pure savings, outside that sold hy agents of the home service companies, will in future he unit-linked. Most traditional life companies have now accepted the linked principle and several companies in the past two years have entered fully into this field.

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Capital Structures

Pinning the base

EVENTS IN the mid-1970s proved to be a traumatic experience for insurance companies in both the UK and the US. Over that period two major events occurred in conjunction—roaring inflation and an equity bear market, both happening on a world-wide scale.

Ahead of this period, insurance companies were in keen competition for business and it was considered that premium income was as important as sound underwriting. Investment of non-life funds was heavily orientated towards equities on the grounds that they provided a hedge against inflation. But when the crunch came, insurance companies found that their liabilities were rising rapidly with inflation and at the same time the value of the assets covering those liabilities was falling.

The aftermath of this experience was that insurance companies had to reappraise their methods of operation. They had to repair their capital base and to ensure that it would expand to meet all likely demands in the future.

The extent of the problem can be seen from a study of the trends in solvency margins of the seven major U.S. composites over the past seven years. The solvency margin is the shareholders' funds expressed as a percentage of premium income. In 1972 the average margin was 72 per cent, varying from 88 per cent for Royal Insurance to 58 per cent for Commercial Union. This was a healthy picture with no indication of the trouble ahead.

By 1974 the average margin had dropped to 26 per cent, with Royal's margin the lowest at 18 per cent and the highest being Sun Alliance with 34 per cent.

By 1977 the position had been restored somewhat with an average margin back to 55 per cent. Sun Alliance had a margin of 78 per cent and Royal 42 per cent. The position was similar in 1978.

An insurance industry cannot operate unless it has a sound capital base that expands with the growth in business—either from inflation or from new business or from both.

The UK insurance companies first set about repairing their capital base by raising fresh equity capital. All the seven major composites—plus the two largest life companies with strong general insurance business, the Prudential and the Legal and General—raised capital this way. The Commercial Union (CU) started the ball rolling at the end of 1974 and the others followed during 1975 and 1976. CU, in fact, had two bites of the cherry with a further rights issue in 1977.

The capital base was also repaired by what has been termed pseudo rights issues—taking over an investment trust. The CU took over Estates House Investment Trust and the Pru took over Standard Trust. Under this procedure, the insurance company get the assets of the trust, mostly equities, in exchange for its own shares. An insurance company cannot expand its capital base by raising loan capital, since this is classified as a debt.

UK insurance companies since 1974 have raised £437m by way of rights issues and £96m through acquisitions. In addition, Norwich Union Fire received a £30m cash injection from its parent Norwich Union Life.

The capital structure of most U.S. insurance companies is such that their equity is held by a holding company that itself is not an insurance company. Thus the holding company can raise cash by issuing bonds and then subscribe for equity in the insurance company. Most U.S. insurance groups took this route. The leading insurance company, Aetna, raised a $250 tranche of borrowing which was converted to equity.

Certain UK insurance groups have now reorganised themselves into this form—Prudential Assurance is now controlled by the Prudential Corporation and L and G and Eagle Star have also taken this route.

Exposure

The CU and Royal, with their high U.S. exposure, drastically pruned back their business in the country to cut out the unprofitable agencies. Premium growth slowed down, but the accounts returned to profitability. However, the success achieved by the seven UK composites in generating capital internally has been patchy. The annual survey of composites published by stockbrokers L. Messel shows that percentage increase in opening free reserves from retentions over the period 1976-78 varies from 54 per cent for General Accident to 28 per cent for Sun Alliance.

The Rowe and Pitman analysis of the UK composites considers that the companies have been remarkably successful in the past two years in achieving high levels of retentions. But it warns that if companies wish to retain solvency margins around 50 per cent, the industry needs to retain around 7½ per cent of premium income.

The U.S. insurance groups have managed to stabilise their capital base and operations. An analysis by New York stockbrokers Conning and Company show that the ratio of premiums written to surplus (the inverse of the solvency ratio) has been improved from 2.6 in 1974 to 2.2 in 1978—a solvency margin of 45 per cent. But the companies are not back to the pre-1974 level of 1.6. The ratio of loss reserve to surplus—a measure of how far a company can accept losses above those anticipated without getting into financial trouble—has held at around 1.9. A figure below 2 is regarded as acceptable.

The third corrective action taken by the insurance companies was to change their investment strategy to adopt a more conservative approach. The commitment to equity-type investment was reduced and more invested in short-term fixed-interest bonds. The experience of the UK composites shows a dramatic turnround on the investment portfolio.

In 1973 CU had investment in equities and property amounting to 218 per cent of the free reserves. In 1978 this proportion had fallen to 87 per cent. Royal had 183 per cent in 1973 and had reduced this to 98 per cent by 1978. But some composite groups still feel able to hold more than 100 per cent in equity-type investments. Eagle Star still has 140 per cent.

Insurance companies are still holding a portion of their assets in equity-type investments, since these can still provide a hedge against inflation over the longer term. The capital appreciation is a further source of expanding the capital base. Rowe and Pitman estimate that this has grown on average by 2 per cent per annum of the premium income.

The UK insurance companies have been able to get their capital bases back to normality without hitting shareholders significantly, although dividend limitation has been a help. Dividends should increase in line with the market and at present companies have no need to make a further call on shareholders for capital.

Eric Short

Risk Management

Premium on prevention

SLOPPY THINKING and lax management have led the world to overestimate the extent to which accidents are caused by pure chance. This is the fundamental assumption of "risk management," perhaps the most fashionable concept in insurance today. Risk management is not so much a particular technique as a corporate state of mind. It is easiest to pin down by antithesis. Phrases such as "accidents will happen," or "the foreman just made a mistake" or "the insurance always pays up" will never pass a risk manager's lips.

If a ship hits a reef on the open sea in broad daylight, it is clearly not good enough to say that this is an Act of God. But, for the risk manager, it is equally unsatisfactory to "explain" the accident by proving that the captain was drunk. "Why was there rum on board?" the risk manager will ask. How did a drunkard come to be captain? How are seamen appointed? How are the people responsible for appointments trained?

Risk managers spend much of their time following lengthy chains of cause and effect, explaining the inexplicable and, ultimately, apportioning blame. The U.S. Air Force, for example, has officially eliminated the concept of "human error" as a possible cause of aircraft crashes. If a pilot has made a fatal mistake, it is presumed either that his training, selection and working conditions were at fault, or that fail-safe devices, safety procedures and monitoring instruments should have been incorporated in the flight design to avert any disastrous consequences should an error be made.

Purpose

The purpose of this kind of analysis is not just to find scapegoats but to devise methods of reducing the probability of disaster. Obviously the surest way of reducing risks is to stop doing anything dangerous. Indeed this is just the solution to nuclear risks that the anti-nuclear lobby is advocating all over the world.

However, for most potentially dangerous activities, such as flying, it is almost universally accepted that the benefits outweigh the dangers involved. Striking the same sort of balance between the benefits and costs of taking thousands of more mundane business risks is in fact the essence of the risk manager's job.

Insurance buying is the simplest form of risk management, but as the insurance market becomes more sophisticated, a recognition is developing that insurance is no substitute for detailed analysis and costing of risks. For although an insurance company will assume the whole of a risk in exchange for its premium, it will usually be much more economical for the insured to accept responsibility for funding part of the risk himself. The "deductible" which is frequently written into all kinds of insurance policies gives the insurer a guarantee that the insured will take precautions against losses and allows the insured to save premiums by keeping the part of the risk which he can afford to finance from his own resources.

This rudimentary form of risk management, practised by every car driver and householder, illustrates clearly the two sides of a risk manager's role. On the one hand is "risk analysis," which ensures that all risks are accounted for and the trade-off between loss control and risk-taking is set at the appropriate level. On the other is "risk funding," the financial problem of deciding how much of its exposure to risk a company can bear itself and how much has to be funded in the insurance market.

Companies that take risk management seriously have to accord their risk managers a senior position in line management. For risk analysis is impossible without the power to issue instructions and apportion blame throughout the corporate hierarchy, while risk funding has to be integrated closely into the company's financial planning. And neither activity is of much value on its own.

Captive insurance companies have become major tools of risk management partly because they make it possible to define clearly the risk manager's responsibilities and to evaluate the benefits and costs of risk management. By creating a separate profit centre devoted to risk management, they make it easier to organise an insurance programme that relates the amount of risk retained by the parent to its financial strength. Just as important, because of their access to the reinsurance market, they force insurers to give full credit in their rating for the loss control measures that have been implemented.

Because of the intensifying competition in insurance markets, modern risk management does not stop at the point where risk is transferred to an insurance company. Insurance companies that want to retain their major industrial clients need increasingly to reflect loss control measures in their rates. The other side of this coin is that insurance companies are increasingly being forced to provide incentives for their clients to increase the protection of their risks.

Some well-known methods of loss control such as industrial fire protection sprinkler systems are now fully reflected in insurance rates. This is hardly surprising, since the U.S. Fire Protection Association has estimated that sprinklers mitigate fire damage in 96.5 per cent of cases where they are installed. But many insurers have been slow to move down the road of reducing premiums in exchange for better protection and in some countries even realistic rebates for sprinklers were only established after a protracted struggle between insurers and their clients. The insurers' resistance stems partly from concern about losing premiums and partly from a reluctance to move away from traditional rates based on trends established over many years.

Reconsider

However, the pressure of competition, is forcing insurers to reconsider their instinctive resistance to many aspects of risk management. At a time when rates on many lines of insurance are falling to uneconomic levels, it is being recognised that the insurance of highly protected risks and the reinsurance of captives, although it generates smaller premiums than traditional industrial insurance, may well produce better profits. Insurers are also finding that, by assisting their clients in their risk management endeavours, they can retain accounts which might otherwise have gone to lower cost insurers, which do not have the same capacity to provide technical services.

In fact, some insurers believe that risk management services will be as important in enabling them to compete against low-cost rivals as is manufacturing "quality" for high-cost engineering industries in countries such as Germany and Sweden. Mr. Jim Bannister, chairman of Risk Research Group and one of London's leading risk management consultants, puts this proposition in its most striking form: "Insurers now have two main functions. The first is providing technical services related to the controlling of risks and the limitation of losses. The second, which should be more in the nature of a guarantee of the quality of the loss control service provided, is financing the losses which are not prevented." That, in a nutshell, is the philosophy of risk management.

Anatole Kaletsky

Pensions

CONTINUED FROM PREVIOUS PAGE

Scotland's largest life company, Standard Life, launched its linked operation a couple of weeks ago.

The chief source of traditional life business now arises in connection with the repayment of house mortgages. There is a growing use of the endowment method of repaying a mortgage as an alternative to the straight repayment to a building society. Under this method the investor takes out an endowment assurance for the term of the loan and the mortgage is repaid when the endowment matures or on the prior death of the investor.

Life companies, with only a few exceptions, have withdrawn completely from the first mortgage market. But they are becoming more involved in the top-up mortgage market. The amount lent by the life companies is limited, but the whole of the mortgage has to be repaid by an endowment assurance contract. It provides a steady source of new business and since the total amount lent is limited, it enables life companies to exercise some control over brokers.

The unit-linked potential in the UK seems endless, at least in the opinion of other overseas insurance groups. In the past five years overseas groups have been establishing or acquiring life subsidiaries in the UK. American General's launch of Albany Life has been a great success. The Swedish insurance conglomerate, Skandia, recently launched a UK life subsidiary with good initial success.

In the reverse direction the UK life companies are slowly expanding their business overseas. Premium income from this source in 1978 rose by 3.6 per cent to £794m. But this growth came entirely from Europe, where premiums advanced by one-third to £285m. But the marketing of life business by UK life companies outside the UK tends to be in the hands of a few major companies, such as the Prudential, the Commercial Union, Equity and Law and the other major composites with strong non-life connections overseas.

E.S.

INSURANCE VIII

Insurance Brokers

Increasing links with America

OVERCAPACITY IN world insurance markets has led to cut-throat competitive conditions and is often reducing brokerage income from commissions even when greater volumes of business are being handled. A large part of insurance brokers' revenues is derived from overseas markets and a strong pound and a weak dollar have depressed earnings when converted into sterling.

Moreover, with most costs incurred in the UK and inflation accelerating, brokers' group expenses have been rising at a faster rate than revenues.

It is just over 20 years since Minet Holdings became listed on the Stock Exchange, the first insurance broker with large Lloyd's interests to do so. With the exception of 1962, when there was a slight downturn, and a sluggish 1978, the group has shown an impressive growth record. That is until the first six months of 1979.

Last month it reported that pre-tax profits had slumped for the first half from £7.82m to £4.87m and the likelihood is that full year profits will be no more than £9.5m to £10m compared with £15.3m.

The picture is the same among other major brokers. The newly merged Sedgwick Forbes Bland Payne group, the UK's largest insurance broker, reported pre-tax profits down from £28.1m to £25.3m for the six months ending in June of this year. Willis Faber, the last UK insurance broker to go public, showed pre-tax profits down from £10.51m to £10.06m over the same period. C. T. Bowring's taxable profits fell from £19.8m to £17.9m, as did Alexander Howden's from £11.5m to £11.1m, both reporting results for the six months ending in June.

Insurance brokers have managed before to weather the kind of trading storms which are now hitting the sector without their growth being seriously affected. But the latest crop of trading problems is unusual in that so many adverse factors are coinciding.

Large claims are passing through Lloyd's brokers into the Lloyd's market which could produce losses. The huge $225m claim for computer leasing insurances is likely to have an impact on some insurance brokers' underwriting agencies' activities from which they derive revenues.

But the most significant factor on the trading front is the realignment that is taking place between the UK and U.S. insurance brokers. When two of the largest U.S. brokers Frank B. Hall and Marsh and McLennan Companies bid for Leslie and Godwin and Wigham Poland of the UK respectively, they sparked off the most traumatic series of deals that international insurance brokers have ever become involved with.

Empires

For some time the Americans, particularly the large brokers, had seen only limited scope for increasing their broking empires at home in a way which would also give them wider representation abroad. They turned to UK brokers partly because of their expertise, but more important, for the comparative strength of the UK brokers' international networks, the link to future growth.

Another important consideration was uppermost in the Americans' plans. As they produced such a large amount of premium for Lloyd's and the London companies they felt they ought to have a bigger say in the London market. The other commercial argument of the U.S. brokers pointed out that they provide substantial business for Lloyd's of London brokers which is eventually placed at Lloyd's. Lloyd's, they took pains to emphasise, operates a restricted market in that all business placed with underwriters in its market has to be channelled through an approved Lloyd's broker, and the commission is shared. Since the U.S. brokers claimed much of the credit in securing the business initially for Lloyd's surely, they argued, they were entitled to a larger proportion of the commissions?

Many UK insurance brokers were not in the least dismayed by these arguments. They had realised for some years that to compete effectively for the large insurance accounts of multinational companies they had to have organisations of appropriate size to service these accounts. And to gain new business in the future as well as protect existing business in very competitive conditions, it was important for UK brokers to attempt to get closer to their clients in their principal market, the U.S., which produces more than half of the world's non-life insurance premiums.

Formalisation of a link with a top U.S. insurance broker was the ideal solution, since commercial dealings between the UK and U.S. brokers already often stretched back some years.

But Lloyd's itself complicated the arrangements. It would not allow an insurance company, an underwriting agency or a non-Lloyd's broker normally to hold more than 20 per cent of an established Lloyd's broker. The underlying motives were purely protectionist so it was not surprising that the U.S. brokers were mightily annoyed by curious statements by Lloyd's referring to the need "to ensure that all Lloyd's brokers remain genuinely independent" and the importance of establishing some control in the market.

So rather than a series of conventional mergers taking place co-ordination is planned between the business of the UK and U.S. brokers, usually through a profit pooling arrangement.

But giving a more formal character to historic links with the U.S.—which have hitherto had a much looser basis of mutual co-operation and goodwill—is still regarded of paramount importance by UK brokers, although some have chosen a more simple route.

Early this year Willis Faber announced that it was planning a series of joint ventures with its long-standing partner Johnson and Higgins of the U.S. And as a practical gesture towards becoming more involved in the U.S. market, Willis announced that with Johnson and Higgins it was planning to form a company to introduce underwriting members to the New York Insurance Exchange, group those members into syndicates and manage their affairs.

Alexander Howden and Fred S. James of the U.S. got together later to participate in the New York Insurance Exchange in the same way that Willis and Johnson had done.

Continental Corporation of the U.S. took a 20 per cent shareholding in Stenhouse Holdings of the UK. Continental Corporation is the sixth largest property and accident insurance company in the U.S. and the relationship with Stenhouse is expected to benefit the UK group. Like Howden and James and Willis and Johnson, Continental and Stenhouse announced last month that they had formed a joint management company to participate in the New York Insurance Exchange.

For the medium-sized broker the trends are ominous. The new order that is emerging of large, powerful groups could leave little room for the medium-size broker to thrive.

Some of these brokers are taking a more positive view. They are watching the distribution of business volumes. A broking company which is going through a massive programme of reorganisation and upheaval could lose a few dissatisfied clients and important accounts.

Already C. T. Bowring is fully stretched trying to absorb the vast flow of business that it is receiving from its link with Marsh and McLennan of the U.S.

But large accounts are being uprooted by the U.S. brokers who have formed more formal links with a UK partner from their established UK correspondents and this has all added to the gloom about trading prospects for some of the major insurance broking groups who have not forged such links.

J.M.

TRANSATLANTIC PARTNERS

UK broker	New U.S. link	Old main U.S. links
C. T. Bowring	Marsh and McLennan (pooling arrangement)	Marsh and McLennan, Alexander and Alexander, Frank B. Hall
C. E. Heath	—	Bollins Burdick Hunter, Alexander and Alexander
Hogg Robinson Group	Markel Service Inc. (HRG has taken a 30 per cent stake)	R. B. Jones, now part of Alexander and Alexander, Corroon and Black
Alexander Howden	Fred. S. James (joint venture company for NY insurance exchange)	Alexander and Alexander Marsh and McLennan
Minet Holdings	Corroon and Black (pooling arrangement)	Fred. S. James, E. H. Crump, Emmett and Chandler (part of the Pinehurst Group)
Sedgwick Forbes Bland Payne	Alexander and Alexander (pooling arrangement)	Marsh and McLennan, Alexander and Alexander, Frank B. Hall
Stenhouse	Continental Corporatn. (which has taken a 20 per cent stake in Stenhouse)	North American presence through its link with Canadian broker Reed Shaw Osler
Stewart Wrightson	—	Marsh and McLennan, Alexander and Alexander, Frank B. Hall
Leslie and Godwin	Now part of Frank B. Hall with the Lloyd's interests controlled by Rothschild Investment Trust	Frank B. Hall, Fred. S. James
Willis Faber	Joint ventures with Johnson and Higgins	Johnson and Higgins, Guy Carpenter, a subsidiary of Marsh and McLennan
Lowndes Lambert Glanvill Enthoven (a subsidiary of Charterhouse Group)	—	Frank B. Hall Corroon and Black

Liability Insurance

Scale of awards goes soaring

AFFLUENT SOCIETIES expect a lot from their goods and services. Their expectations rise in proportion to the amount of wealth they acquire. If they are not satisfied the more likely they are to get in touch with their lawyer.

On this basic truth is founded the principle of liability insurance. Liability insurance protects manufacturers, professional people such as doctors and accountants against their legal liability for omissions or acts causing bodily injury or disease to third parties or loss or damage to their property.

As real incomes have risen people have to be paid more for injuries that keep them off work. As industries and businesses become more complex it is likely that manufacturers' or accountants errors will increase.

In the U.S., general liability which includes medical malpractice, legal malpractice and products liability, was one of the worse performing lines of insurance in the 1970s.

Rapidly widening interpretations of liability and awakening consumerism did not help. The Consumer Products Safety Act was signed into law in October 1972 and its enactment was the culmination of a study conducted by the National Commission on Products Safety. That report in 1970 estimated that 20m Americans were injured each year as a result of incidents connected with consumer products. Of the total number injured 110,000 were permanently disabled and another 30,000 were killed. The annual cost to the nation of product-related injuries was estimated in excess of $5.5bn.

In that climate of awareness court awards rose dramatically, creating a loss explosion which was nearly impossible to predict or evaluate. From 1970 to 1976 general liability operated from a low combined ratio (i.e., the ratio of losses and loss expenses incurred to premiums earned, plus the ratio of expenses incurred to premiums written) of 102.6 per cent but climbed to a dizzy 124.7 per cent and averaged 112 per cent during that period.

Finally, severe premium rate increases and extremely restrictive underwriting took hold in 1977 producing the first profit since 1966 at a 96.2 per cent combined ratio.

Those at the receiving end of court awards during that period came to feel that juries based awards not on the principles of liability, but on the manufacturer's ability to compensate the injured party.

In one instance a helmet supplier was judged liable for $5.3m after a young football player was paralysed by a neck injury during a game. It was the highest award over a sporting goods product.

The Consumer Product Safety Act gave protection against unreasonable risks of injury associated with consumer products. The underlying philosophy was that the right to safety was a traditional consumer right which would be protected by government if necessary. One of the proposed measures involved double or triple damages for injuries resulting from knowing violations of Federal standards.

Moreover, the procedure in American courts whereby lawyers share part of the plaintiff's award has created an unusually aggressive approach towards suing suppliers and manufacturers.

Huge liability awards are not confined to the U.S. As the principle of strict liability for product manufacturers becomes adopted—whereby the manufacturer as well as the seller is to be held liable for damages without proof of negligence if a defective product is placed on the market and causes injury—so the claims are rising elsewhere.

But some insurance specialists feel that one of the primary reasons for the dramatic escalation in the size of judgments and awards has been the sympathy of juries. The frequent absence of juries in overseas courts could be a stabilising factor for the future.

The more difficult liability claims can prove very costly. Disease caused by asbestos has prompted about 5,000 claims in the U.S. Workers who have contracted the disease through employment have brought action directly against the manufacturer of the item containing the mineral. This problem first surfaced in the late 1960s and the first action was brought in 1967 with claims pouring in from 1974 onwards. About 500 cases are arising a month. The amounts claimed run into billions of dollars.

The liability boom is likely to mushroom for some years to come as more exotic claims are made against oil companies and steelmakers, for negligence against lawyers and architects, and for discrimination against employers. Insurance companies and insurance brokers are often sued for negligence now.

The time lag in malpractice and products liability claims can be enormous. At the end of the first year in malpractice liability there could be 80 per cent of the claims still to come. One insurer which had withdrawn from the malpractice business for over 20 years found that two new claims had just arrived. Protracted court cases after the claims have been reported can also confound assumptions.

Those insurers of liability business who feel that they can ride out any storm on the back of investment income from reserves could have a nasty surprise particularly if their assumptions about inflation have been incorrect.

There are worrying suggestions that the liability specialists intend to exploit the innocent capacity, or inexperienced reinsurance concerns, for support during the lean times. As captive insurers are forced to broaden their portfolios they may take on an increasing amount of liability business. Foreign insurers, with an eye to boosting revenues in the U.S. market, may take on an increasing amount of liability business, anticipating paying future losses with less expensive American dollars.

Existing reinsurance syndicates in London and the U.S. would be willing; and then there are the new insurance exchanges which are emerging. Perhaps in an effort to get off the ground they will be willing to accept the more difficult liability coverages through reinsurance. They could come unstuck if they are not more skilled than the primary liability underwriter.

J.M.

ED 24 AND COMPANY TAXATION

BY DAVID WAINMAN, Taxation Correspondent

The accounting revolution hots up

THAT POP on November 6 was not a late firework. It was the starting gun, fired on this occasion by the Governor of the Bank of England. We are off, and devil take the hindmost.

The Governor was speaking that evening at Chartered Accountant's Hall to the Institute for Fiscal Studies. For that venue, and in the face of that congregation, he had chosen as his subject, "Companies, inflation and taxation." He could reasonably expect a knowledgeable and receptive audience. They may not have been expecting the clarion call he blew. "Inertia is no longer acceptable." He, and the authorities generally, want movement, and want it fast. The event he was purposefully setting on foot was the stampede towards current cost accounts, not only for financial reporting but as the basis for corporate taxation.

Warning guns had been fired by Mr. Denis Healey in his April 1978 Budget, and by Sir Geoffrey Howe in June this year. But the phraseology with which the latter broached this subject gave little indication of any sense of urgency: "Looking further ahead, however, it is important that the tax system should take account of the effects of inflation on businesses, and do so in a way that is reasonably objective, equitable and simple to administer. The Government will therefore be reviewing this matter along with the accountancy profession's latest proposals for current cost accounting. I am arranging for the Inland Revenue to consult the accounting profession and business later in the year."

That time has come: the Governor rammed this point home. "My aim tonight is to discuss, first, the importance of appropriately adjusted company accounts for management and reporting purposes, and second the possible implications for the taxation of business profits of this development in the accounting system . . . I believe also that it is of great importance for business to adopt accounting procedures that remove the distortions which arise in accounts when conventional accounting practices are followed in inflationary conditions for which they were not designed, and that the system of taxation should take due account of such distortions."

The Bank believes that the current cost accounting proposals, put forward in Exposure Draft 24 by the Accounting Standards Committee, are close to general acceptance. For its own part, the Bank has told the committee that its general view is that the draft should be adopted with only minor modifications. So much was probably well known before the Governor stood up. What was not so clear was the authorities' stance on tax.

Implications

The Inland Revenue, under the guidance of Lord Cockfield, has been considering closely the implications of changing the historic base of business taxation towards an inflation adjusted base. The Bank is associated with these studies. It was clear from the Governor's remarks that they are much further advanced in these efforts than had been generally assumed.

The Inland Revenue has indeed been leaping and bounding ahead: as we will see below, they have even been able to estimate the effects of some of their proposals upon the total yield of taxation, and how these proposals would benefit or disadvantage different sectors of the business community.

Mr. Richardson did stress that he was not producing firm conclusions, but rather clarifying where the practical issues lie. Some of these should create no surprise. Stock relief for instance has been a source of increasing concern to the Inland Revenue and to businesses since it was first introduced as a rapid response to the crisis in corporate liquidity. It has never differentiated volume changes from those in prices. It has also provided vast amounts of tax relief to companies which commonsense might have classed as "undeserving" — those whose stocks are financed by their suppliers rather than out of their own cash resources. The Revenue appear to be welcoming warmly the prospect of a "cost of sales adjustment," which focuses on price changes and does not become entangled in volumes.

The cost of sales adjustment could be substituted for stock relief, soon and alone: it need not be part of a larger package of current cost adjustments. If this were to be the course adopted, the Inland Revenue anticipates three probable effects.

The levels of relief could fluctuate more widely from year to year than the existing stock relief, because price movements would no longer be compensated by volume changes. Second, and significantly, the relief would be distributed differently—manufacturing industry would tend to benefit at the expense of other sectors. Last, and at first glance most surprisingly, the relief could be expected to be more generous. The reason put forward is the removal of the present restriction of stock relief by 15 per cent of profits.

Although replacing stock relief with a cost of sales adjustment could be achieved without other changes in the tax base, Mr. Richardson indicated a preference for combining it with a further adjustment for monetary items. His statement of the problem posed by these is penetrating and profound. "Conventional measures of profit and loss fail to take into account the change in the real value of corporate monetary assets and liabilities as a result of inflation. A company that is a net debtor gains from inflation as its debt diminishes in real terms; and indeed, to the extent that interest includes an element of real debt repayment, a company even enjoys tax relief for the latter. The argument is thus that its taxable capacity should be increased by this real gain."

EXAMPLES OF CURRENT COST PROFIT AND LOSS ACCOUNTS, SHOWING PROPOSED ED 24 ADJUSTMENTS

Turnover		£20,000
Profit before interest and taxation as in the historical cost accounts		2,900
Less: Current cost adjustments:		
Cost of sales	460	
Monetary working capital	100	
	560	
Additional depreciation	950	
		1,510
CURRENT COST OPERATING PROFIT		1,390
Gearing adjustment	370	
Interest	200	
		170
Current cost profit before taxation		1,560
Taxation		730
CURRENT COST PROFIT ATTRIBUTABLE TO SHAREHOLDERS		830
Dividends		430
Retained current cost profit for the year		400
Current cost earnings per share		27.7p

In relation to the necessity that a bank should preserve its capital base, this argument stands neatly on its head. Banks, unlike most other companies, hold net monetary assets. At present, they pay corporation tax on the surpluses which they require in order to keep their bases topped up. Mr. Richardson is a banker; his phraseology reflects this, and his utterances always show that he is well aware of the needs and virtues of banks. Where this logic led him, and perhaps may also lead the Inland Revenue study group, is to a recognition of "the case for seeking to introduce something close to a monetary working capital adjustment in the tax system."

But it is in this direction that the Inland Revenue's leaping and bounding should be closely studied and analysed. There is certainly a case to be made for adjusting the tax base for monetary items. But the words the Governor used to describe the adjustment the Revenue had in mind both for banks and other companies were as follows: "This suggests the need for adjustments that cover all financial items, as in the ED 24 proposals, both for a monetary working capital adjustment relating to net trade debtors and creditors, and a gearing adjustment which takes account of other elements in a company's debt." Read as it stands, this seems to imply that he saw the gearing adjustment as just another adjustment for monetary items—calculated on different borrowings but otherwise similar to the monetary working capital adjustment. This is not, of course, what ED 24 envisages. What Mr. Richardson had in view was rather different. And to judge how logical or equitable his projected adjustment would be, we must be absolutely clear what gearing really means.

To re-explain however briefly the ED 24 philosophy is to risk the loss of half one's readers through boredom and the other half becoming infuriated by over-simplification. But this is perhaps the first explanation which lays it all at the door of Adam Smith.

He was one of the first to differentiate fixed and circulating capital. "Fixed capital is what the owner turns to profit by keeping it in his own possession, and circulating capital is what he makes profit of by parting with it and letting it change masters."

ED 24 draws just such a horizontal line across the balance sheet, using the terminology working capital for the items below it, although not requiring that any label be affixed to those above. It is the items constituting working capital which turn over in the course of the business's operations. If these operations are to be continued at the same real level, and the profit earnings capacity is thus to be preserved, it is the working capital items which need to be replaced in "real" terms. The cost of sales adjustment allows for the higher costs of replacing stocks. And the monetary working capital adjustment deals with the monetary items in working capital—generally taken to be trade debtors and creditors only.

For the company which has its stocks financed by its suppliers, the cost of sales and monetary working capital adjustments should largely cancel out. But this is the company we have already identified as "undeserving" of the present stock relief—it has no better case for a "current cost" reduction in its taxable profits. There is a third current cost adjustment for depreciation, which we will consider below; it is appropriate at this point to revert to the gearing adjustment and its function.

The operating capacity (that is working capital and fixed assets) of most companies is supported in part by shareholders funds, and in part by borrowings. The profits generated out of that operating capacity are calculated after deducting the whole of the current cost adjustments—those adjustments designed to preserve that real earning power. However the shareholders' distributable profits do not need to be so heavily restricted, if they can persuade their providers of loan finance to increase that lending. ED24 assumes that the ratio of shareholders' funds to borrowings will remain constant. The gearing adjustment therefore "releases" a part of the current cost adjustments back into the profits attributable to shareholders. This part is the proportion "borne" by the lender (through inflation) of the previous restrictions made against those profits.

There has been protracted and acrimonious debate in the accounting profession about this gearing adjustment, and how valid and vital it is. But none of these noisy wranglers is under the impression that ED 24's gearing adjustment is a calculation of gain or loss on holding monetary items. From the Governor's words it might at first appear that the Inland Revenue's study group had leapt to this wrong conclusion. It has not; but we can now explain what it was that the Governor had in mind.

He appreciates that if the monetary working capital adjustment is simply based on trade debtors and creditors, the levels of these might without undue difficulty be manipulated at the balance-sheet date. Tax advantages so obtained would be just as "undeserved" as any stock relief ever was. One way in which the Inland Revenue envisages combating such an abuse would be to allow in the tax computation not the full monetary working capital adjustment, but that figure restricted by its own proportion of the gearing adjustment, i.e., in the example: 100—(100 x 370 ÷ 1,310) equals 75). Any mathematician would be shocked by the conceptual validity of this idea—and Adam Smith will no doubt turn in his grave, too.

The Governor ultimately turned to depreciation of fixed assets and the tax implications of the current cost adjustment which steps up that charge to provide for replacement of the assets concerned. Because in this and in other proposals he outlined, he made it clear that total tax yields would not be significantly altered, the only practicable solution was to continue the current levels of first year (and initial) allowances based on historic costs of assets. Then, only to the extent that there remained thereafter an undepreciated balance of cost, could replacement depreciation be admitted.

Letters to the Editor

Insider dealing

From the Secretary and Chief Executive, Institute of Chartered Secretaries and Administrators

Sir,—The Government's proposals for making insider dealing a criminal offence will shortly be considered at the Committee Stage of the Companies Bill which is before the House. The Institute has always supported the principle; but we feel it is necessary to advise directors and company secretaries that under the clauses proposed, company directors are likely to be "insiders" within the meaning of those clauses for 24 hours a day and 365 days a year.

Although the defence clause is adequate (no change from the last Government's draft) and prosecutions will have to be initiated by the Department of Trade or the Director of Public Prosecutions, the fact remains that no director can be advised, if these clauses become law that he will be safe from complaint, accusation and even prosecution if at any time and in any circumstances he deals in his company's shares—a far more serious constraint than the Stock Exchange Code provides.

The experience of our members is that directors are generally scrupulously careful, even over-careful in this matter. The effect of the clauses is therefore likely to be that directors will be disinclined to hold shares in their own companies or inhibited from dealing in them, if they do maintain a holding.

It is therefore a matter of urgency that an exemption clause should be devised and introduced which will allow directors acting bona fide to hold shares in their own companies and to have a reasonable opportunity to buy or sell such shares. If such a clause cannot be devised, it is possible that the whole idea of making insider dealing a criminal offence will need to be dropped—in the interest of the honest.

We seek to draw attention to this situation which we cannot believe the present Government intended to bring about.

B. Barker.
16, Park Crescent, W.1.

Directors' conduct

From Mr. L. Price, QC

Sir,—I have read the Department of Trade's consultative document of October 22. According to that document "the Government considers that insider dealing should . . . be made a criminal offence at the earliest opportunity." The argument in favour of this policy was summarised in the 1977 White Paper "The conduct of company directors" but the argument cannot persuade if it leaves out of account the difficulty of achieving a satisfactory definition of the proposed new crime. The later attempt to provide that definition was not satisfactory; and the re-drafted provisions in the new consultative document remain, in my opinion, fundamentally unsound and unacceptable.

Any breach of the proposed prohibitions is to be a criminal offence, attracting criminal penalties of considerable severity and the stigma which properly attaches to any crime. That can be accepted only if the prohibitions have been defined with such a degree of clarity and certainty as makes it easy to decide whether, in particular circumstances, a projected course of action is or is not prohibited; and, as any breach of the prohibitions is a crime, the boundary between what is and is not prohibited must not be defined so as to apply the prohibitions to activities which ought not to be regarded as criminal.

The draftsmen have done their best; but, as an addition to our criminal law, the result is lamentable. The boundary between what is, and what is not, prohibited is set so very widely that inoffensive, as well as offensive, activity will be made criminal. The draftsmen presumably tried out formulations which narrowed the range of prohibitions; and, for what they thought were good reasons, perhaps because of the difficulty of achieving clarity and certainty within a narrower definition of the prohibitions, such formulations must have been rejected.

Some may feel that, in the particular circumstances, Clause D (2) of the new provisions (in the draft Bill of July 1978) provides an appropriate "safeguard" against injustice. Because there cannot be any prosecution except by the Secretary of State, or by or with the consent of the Director of Public Prosecutions, conduct which is inoffensive but is within the range of what is prohibited will not be brought to court. But that "safeguard" is both perilous and constitutionally unsound: perilous because it depends on official discretion; constitutionally unsound, because it is outrageous for the law to say to the citizen: "Do not worry. What you do is criminal. But, if it is inoffensive, you can rely on the Secretary of State and the DPP to protect you from prosecution."

Creation of a new criminal offence on that footing is rightly categorised as monstrous. Protests against the proposal to create a new criminal offence of that kind are not alarmist or silly. They are, on the contrary, instinctive and proper reactions of everyone who has taken to heart the lessons of our history and treasures the relative freedom from arbitrary power which our ancestors achieved for themselves and for us.

Although criminal law cannot properly be invoked it ought to be possible for draftsmen to present us with an appropriate apparatus of statutory provisions defining circumstances in which insider dealings will be the subject of restitution and other remedies, under civil law; but, even if satisfactory provisions of that kind could not be devised, that would not justify an unprincipled and dangerous invocation of criminal law.

If present proposals were to be enacted, the only practical legal advice to directors and others would be that they must not buy or sell shares in their company. That would be a novel situation, and one strikingly inconsistent with the wise policy of encouraging those who work in an enterprise to acquire a personal financial stake in it.

My conclusion is that this unprincipled new resort to criminal law ought to be rejected, and that the proposal should be condemned and vigorously opposed.

Leolin Price.
10, Old Square,
Lincoln's Inn.

Talking to your colleagues

From the Director General, Institute of Marketing

Sir,—The importance of effective communication with employees was repeatedly stressed at the CBI conference but, while most speakers agreed that more should be done at company level to get the business message over, no-one put forward any new ideas on the methods by which management should tackle this vitally important task.

In recent years, particularly in the larger companies, communications with employees has been via the personnel department, the works manager and the company newspaper, if there is one. For some types of information, these are appropriate channels, but they are less effective and sometimes a total failure at communicating the real reasons for the success of one product, or the failure of another; the reasons for full or empty order books; the factors affecting customer satisfaction or dissatisfaction; the problems of competition; the general direction of the business and its prospects.

Yet in almost every business today there are people who offer three important assets for this vital communications task. They are closest to the customer; they are largely responsible for the prosperity of the company and they are—or certainly should be—skilled at explanation, consultation and even persuasion.

I refer to the many senior marketing and sales executives whose talents are almost totally unused in the sphere of employee communications. Companies often spend thousands of pounds on sales conferences in order to motivate and inform the sales force. I wonder how much, by comparison, they spend on employee conferences designed to do the same for the remainder of their workforce?

No efficient marketing or sales manager is likely to be looking for extra responsibilities yet poor workmanship, late deliveries and strikes are posing a direct threat to their own jobs. They have either not been given, or failed to take, the opportunity to tell the entire workforce what a satisfied customer really means in terms of future employment, security and prosperity for every one in the company.

As present, I believe that employee communication is often being done in the wrong way by the wrong people. It is time that we began to harness the skills of our marketing and sales executives to communicate the company message to employees.

Peter B. Blood.
Moor Hall,
Cookham,
Maidenhead, Berks.

UK-U.S. tax treaty

From Mr. J. Newman

Sir,—The correspondence from Messrs Welch, Gottesman and Grylls leaves out one important consideration which I am sure HM Government would be interested in. When the UK-U.S. Tax Treaty is ratified United Kingdom advance corporation tax becomes repayable to U.S. resident shareholders in UK companies. Likewise some U.S. Federal dividend withholding taxes become repayable to UK shareholders in U.S. corporations. It is estimated by the Internal Revenue Service of the United States that a net sum in excess of $300m is payable by the United Kingdom Inland Revenue to the U.S. As part of our expenditure cuts I feel this sum should not be overlooked. Ratification for this reason alone should be delayed and, rather than back-dating the treaty to 1973, a later date should be chosen.

John A. Newman.
Kingsgate House,
115, High Holborn WC1.

U.S. energy supplies

From Mr. J. Weiner

Sir,—In his "America wallows in self-doubt" (November 8) your distinguished Samuel Brittan tells us that "about half of U.S. energy supplies comes from oil and of that a half is imported." This is common knowledge outside America but it is only recently that Americans have begun to wake up to it. The latest polls show that only half of them know it.

Even more importantly, the large majority are not aware that they still are, and have been, paying half or less than half for their oil and energy than the rest of us. The oil companies are blamed for any price increases whereas, to put it bluntly, America collectively is garnering higher "windfall profits," at the world's expense by keeping prices down, than all the oil companies put together.

America will continue to wallow in self-doubt until its leaders and its people face these facts of life.

John M. Weiner.
Monor Cottage,
Oving,
Aylesbury, Bucks.

The Vale of Belvoir

From Mr. J. Constantine

Sir,—As a subscriber to and admirer of your newspaper I read with disappointment your leading article on Belvoir of October 31 due to its bias, naivety and lack of both sensitivity and foresight.

The facts appear to have been twisted to suit the argument. It is easy from the comfort of a City chair to pronounce on what should happen to the countryside and the lives of others. And the arguments of the so-called "environmentalists," whom I prefer in this case to call conservationists, are not, I believe, necessarily nearly as contradictory or irrational as you say.

The inference from your article is that the Coal Board's statistics are correct and the conservationists are wrong. With regard to the accuracy of the former it does not take an expert to realise that 3,800 miners will not all be bachelors and will have no dependants—a total increase in the population directly attributable to the mine for very many times this figure has been correctly assumed. Nor does it take an expert to appreciate that an undertaking of the size and type envisaged with its plant, machinery, tips, infrastructure, including roads and railways, related housing, means of educating and employing miners' families, etc., is going to remove from existing use far more than the 500 acres mentioned, not to speak of the problems of drainage and subsidence to which you have charitably referred. There is no way in which the present plans will not irrevocably change the character of the entire area from pastoral to semi-industrial.

A quiet and pleasant rural life is painted as being middle-class and therefore, presumably, somewhat objectionable. Quite apart from the fact that the majority of the local rural population are farm workers is there really anything morally wrong in attempting to defend the country's heritage? You speak of compensation, but there is no such thing for the loss of a way of life or a fine landscape.

While the arguments of the conservationists may on the surface be as muddled as your own, none of them detracts from what seem to me the central issues.

The Vale of Belvoir is one of the last parts of unspoiled countryside in the Midlands and which from an agricultural point of view is highly productive. Agricultural land is becoming ever scarcer and food requirements much greater. The country's net import bill for the latter is huge and it has been forecast that the world food shortage will reach crisis point in the foreseeable future. A mine, particularly of the size envisaged and as presently proposed, is bound to do considerable harm to both the environment and to agriculture.

While the fuel crisis is probably here to stay, and there should be no attempt "to dash Britain's hopes of energy riches in the 21st century," the costs of both existing and alternative sources of power are bound to increase. Even known coal reserves in already partly or wholly industrialised areas are considerable, although some may be expensive to tap and are therefore not, it is believed, included in the Coal Board's figures, which are in themselves highly dubious.

As the price of energy increases so will greater costs of extraction in other areas be justified, as will the cost of the minimisation of related environmental disruption, in regard to both of which there are already many precedents, both at home and abroad. This will, of course, affect all types of alternative sources including those mentioned, although, incidentally, it is hard to accept that plants for solar-heating, wave power, etc., must inevitably be located in areas of natural beauty as you imply.

Under the circumstances is it not sensible in the long term to exploit those locations which are already blighted until such time as, hopefully, alternative sources of power are found or as modern technology makes it possible for the Belvoir coal to be extracted with less damage to the environment and to agriculture and with fewer resources? If this is not possible then the coal will still be there—or perhaps the world will even one day realise that it is more important to feed itself than to fritter energy away for non-essential purposes.

J. Constantine,
Constantine Holdings.
11, Grafton Street, W1.

GENERAL

UK: Mrs. Margaret Thatcher meets President Valery Giscard d'Estaing of France, in London to discuss EEC Dublin summit.

Mineworkers pay talks resume.

National Union of Teachers one-day conference on education expenditure cuts, London.

The Queen meets President and Madame Suharto of Indonesia at start of four-day State visit, Victoria Station, London.

Swan Hunter accused under Health and Safety Act after death of eight workers during building of HMS Glasgow three years ago, York Crown Court.

Mr. Norman St. John Stevas, Minister for the Arts, presents Pye radio awards, London.

Today's Events

Mr. David Howell, Energy Secretary, addresses Harwich Conservative Association Businessman's Club, House of Commons.

Overseas: EEC Agriculture Ministers meet in Brussels.

European Parliament in session, Strasbourg.

Central bankers meet, Basle.

Dr. Wilhelm Haferkamp, EEC Commissioner for External Affairs, in Mexico to improve trade (until November 15).

PARLIAMENTARY BUSINESS

House of Commons: Debates on Opposition motions on the failure of the Government to support the woollen and textile industries, and on cuts in BBC External Services.

House of Lords: Southern Rhodesia Bill, all stages.

Select Committee: Parliamentary Commissioner for Administration. Witnesses: Parliamentary Commissioner for Administration and Commissioner for complaints, Northern Ireland, Room 7, 5 pm.

OFFICIAL STATISTICS

Building societies' receipts and loans for October.

COMPANY MEETINGS

Amber Day, Churchill Hotel, Portman Square, W, 11.30.

Dunham Mount intends bid for Norwest Holst

BY RAY MAUGHAN

DESPITE extraordinary losses of £4.3m, shares in Norwest Holst climbed 9p to 100p as the two controlling shareholders announced their intention of buying out the minority interests.

Profits before tax and extraordinary items increased from £2.17m to £2.42m on turnover of £89.4m (£53.4m) in the six months to September 30.

However, the civil engineering and construction group has had to provide £4.3m to cover anticipated losses in the refurbishing subsidiary, Marshall-Andrew Group, which was acquired for around £1m in cash last February.

Marshall-Andrew broke even in the 12 months to March 31 on turnover of some £24m, but Norwest yesterday reported that "detailed investigations have revealed a number of contracts with very adverse results and for which provision was not made prior to acquisition.

"No credits have been taken for any claims or compensation which may become available to the group as a result of steps now being actively pursued."

An exceptional payment of £127,000 has been paid into the group pension fund.

Two directors, Mr. Raymond Slater and Mr. John Lilley, have informed the group of their desire to enter discussions "which may lead to their making an offer" for the ordinary share capital not already owned by Dunham Mount Holdings."

A private company controlled by Mr. Lilley and Mr. Slater, Dunham Mount acquired a 54.96 per cent holding in Norwest Holst and, under Rule 34 of the City Code, bid for the rest of the equity in the autumn of 1977, at 72p per share. The chairman, Mr. Esmond Braucher and the then chief executive, Mr. Ted Brain, advised shareholders to take no action. Dunham Mount currently holds 58.7 per cent of the shares.

Mr. Brian acquired a 12.5 per cent holding in Dunham Mount from both Mr. Slater and Mr. Lilley last February, but was asked to resign two months ago as a result of what was understood to be a policy disagreement.

Dunham Mount made it plain when the first offer was announced that it did not intend to apply the compulsory acquisition provisions but would endeavour to maintain the quotation.

Mr. Ian Scarborough, who has succeeded Mr. Brian, said that "it was always generally known that Dunham would bid sooner or later" and Mr. Slater added that the announcement of an intention to bid "had been on the cards for a week or two."

The net dividend has been increased by 25 per cent to 1.999p per share and, although margins have been reduced as a result of increased inflation and more severe competition the group continues to trade successfully and the order book is satisfactory.

The group is still subject to an investigation by the Department of Trade under section 165 (b) of the 1948 Companies Act.

● comment

The last time Dunham Mount approached shareholders in Norwest Holst, the bid was triggered by Rule 34 of the Take-over Code and, pitching below the prevailing market price, it might have been said that the offer or was simply going through the motions. Two years later Dunham is looking for outright control and the share price, up 9p to 100p, should have a good deal further to go. Net worth, stripping out the net interim deficit, is 145.5p per share, and the historic fully taxed and diluted p/e is just 3.7. While construction industry conditions are worsening, Norwest should nevertheless still have enough steam this year to reduce the multiple to even lower levels and, assuming a 25 per cent total dividend rise, the yield is 9.2 per cent. The track record since the 1975 slump has been good but the sudden departure two months ago of the architect of this upturn has never been properly explained and, in the background, the Department of Trade inspectors have yet to publish their report.

Interim up at Young Companies

Young Companies Investment Trust is lifting the interim dividend from 1.6p to 2.0p for the year to March 31, 1980. The directors hope that it will be possible to recommend some increase in the final.

Revenue in the half year ended September 30 improved from £225,880 to £297,759, before tax of £91,009 (£77,272). For the year 1978-79 pre-tax revenue was £426,000 from which a total dividend of 4.2p was paid.

Spencer Gears well placed

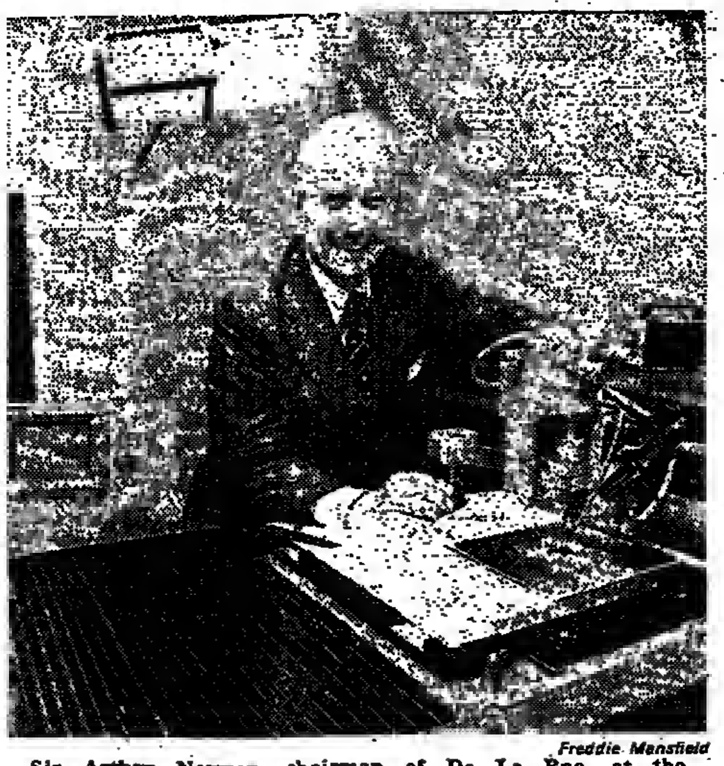
Spencer Gears (Holdings), the engineering group, is well poised to take advantage of the opportunities anticipated in the next few years, says Mr. F. W. Forbes, the chairman, in his annual statement.

The company has made a good start in the current year, with turnover in the first quarter well up compared with the same period last year, and Mr. Forbes is confident of very good results.

Profits before tax rose from £390,240 to £450,363 for the year to June 30, 1979, on turnover 14.5 per cent higher at £4.97m—as reported October 19.

During the year over £600,000 was invested, mainly on buildings, plant and machinery, and the group expects to invest not less than £750,000 in the current year.

Meeting, The Institute of Directors, SW, December 5; noon.



Freddie Mansfield

Sir Arthur Norman, chairman of De La Rue, at the Basingstoke banknote division with part of the company's lasergraphic system for controlling, by computer, geometric pattern to give pictorial effects. The group, which produces bank notes for over 70 countries, is today due to announce interim results for 1979.

Medminster in strong position after busy year

Despite a 24 per cent increase in turnover, higher capital expenditure of £303,517 compared with £79,797, and a large tax payment, Mr. John Delaney, chairman of Medminster, points out that group net short-term borrowing at June 30 shows a rise of only £120,873.

The balance sheet also shows debtors up by £220,765 to £632,952 and creditors by £266,613 to £719,042, which reflects the higher activity in the group's international shipping and forwarding agency.

In the year ended June 30, 1979, profit, before tax, improved from £202,714 to £256,795, on turnover of £5.81m against £4.68m. The group specialises in furniture hire and sales and also trades as a shipper and forwarder. The ultimate holding company is the John Delaney Group.

The profit is split as to furniture hire and sale £221,909 (£172,104), shipping and forwarding £66,835 (£40,934) and aviation nil (£8,712), less interest of £31,949 (£17,036).

The year's tax charge includes a deferred element of £68,927 (£12,430). The directors feel that it is prudent to continue to provide for deferred tax in full bearing in mind that the volume of capital expenditure may not continue at its present level.

The chairman reports that despite start-up costs the new London warehouse for Camden Furniture Hire has produced higher turnover and profits. Despite the television strike CFH operated at a profit from September 1.

Ibstock cash call flops as only 44% accept

BY ARNOLD KRANSDORFF

THE SLIDE in the stock market has left underwriters London and Yorkshire Trust taking up a heavy slab of the new shares issued by way of rights by Ibstock Johnsen, the Leicestershire-based brickmaker.

When applications closed, acceptances totalled 3.5m shares out of the 7.9m shares on offer—a total of only 44 per cent. According to the rights issue document, the balance has to be sold in the market by tomorrow if a premium over the issue price of 65p can be obtained.

Prior to the rights announcement on October 18, the share price stood at 82p. Since then the price has contracted sharply, falling another 1p yesterday to 62p.

Meanwhile, the current state of the market is making other rights issues look vulnerable.

At risk over the next few weeks are the Laporte Industries issue to raise £10.6m, and the £2m of new equity capital being called for by Newman-Tonks Group.

In the case of Laporte, 11.58m shares are being offered at 95p each. Last night the company's shares stood at 90p, down 1p. The underwriters are S. G. Warburg.

Hill Samuel and Co are underwriting the cash call by Newman-Tonks. A total of 3.7m shares are being offered at 57p each, exactly the price in the market yesterday.

HIGHLIGHTS

It was a nervous day for financial markets as they sought to anticipate the likely level of MLR on Thursday. Lex looks at the evidence of the slackening economy provided by yesterday's industrial production statistics and retail sales figures. The Government is talking of further tax relief next year and Lex suggests that it will probably not involve income tax but there could be relief on the investment income surcharge. Elsewhere dealings started in the new BP shares in an uninspiring way. Finally Lex considers a new funding technique from the Eurobond market—a floating rate note that turns into a fixed interest note under certain conditions. On the inside pages there are comments on Warner Holidays and Norwest Holst.

Panel to decide on St. Piran bid position

The City Take-Over Panel has been conducting an investigation to establish whether a group of persons has incurred an obligation to bid for Saint Piran after acquiring over 30 per cent of the equity, the Panel said yesterday.

The short statement came a week after the Stock Exchange suspended Saint Piran's shares for failing to supply certain details about its Australian operations. The details were required for a circular about the relationship between Saint Piran and companies associated with Mr. Jim Raper, a former chairman.

The Stock Exchange wanted this statement following the acquisition of a stake of just under 30 per cent by Gasco Investments, a Hong Kong company chaired by Mr. Raper.

King and Shaxson

DIFFICULT CONDITIONS due to increases in interest rates at King and Shaxson, banking group, led to unprofitable trading during the half year to October 31, 1979.

The interim dividend is held at 1p net per 20p share, with an additional 0.1247p also to be paid reflecting ACT reduction—the final last time was 2.7852p on profits of -£709,000, after tax, minorities, rebate and transfer to contingencies.

Schlesinger Gilt Fund

Income, after tax, of Schlesinger Gilt Fund advanced to £826,137 in the year to October 31, 1979, compared with £281,251 last time.

There is a quarterly dividend of 0.6875p gross, making 2.75p gross.

Net assets totalled £8.12m (£4.61m) at the year-end.

London Scottish Finance

Current trading at London Scottish Finance Corporation is buoyant, says Mr. R. H. Landman, the chairman, in his annual statement, and he hopes that this year will enable the company's profitability to be maintained.

Strikes in the television and engineering industries affected trading during the first few weeks of the current year, he reports.

The group is engaged in the provision of banking, consumer credit, debt collection, television rental and other financial services.

As reported October 23, pre-tax profits rose 41 per cent to a record £893,237 for the 53 weeks ended July 31, 1979. Earnings per 10p share increased from 8p to 8.2p and the total dividend is raised to 2.35p (1.426p equivalent). A one-for-three scrip issue is also proposed.

Despite an increase in gross balances from £12.37m to £14.43m, total borrowings only rose marginally from £5.71m to £6.04m. Ratio of borrowings, including all loans, to net assets was further reduced to 1.8 : 1.

Inchcape to quit cocoa

The Inchcape group announced yesterday that it was pulling out of cocoa trading, where it has suffered heavy losses totalling nearly £18m.

It has made arrangements to scale down the group's involvement with its Dutch cocoa trading subsidiary, Harborn Amsterdam BV, and transfer its activities to a new company formed by members of the present Harborn management team, backed by two large established commodity groups. The plan is to complete the transfer by June 30 next year.

Inchcape will have no interest in the new company, but will retain ownership of the separate Harborn company, in London, that trades in rubber.

The proposed name of the new company has not yet been disclosed, nor has the identity of the two commodity groups backing it. Leading London cocoa trading companies denied any involvement yesterday. It was suggested the backing might well come from companies wishing to break into the cocoa market.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Clydesdale Invest	1.45	Jan. 16	1.3	2.15	1.9
King & Shaxson ......int.	1‡	Dec. 17	1	—	3.79
Rothschild Inv. ......int.	2.5	Dec. 22	2	—	9
Seccombe Marshall...int.	6	Jan. 2	5.5	—	14.9
Warner Holidays ...int.	0.5	Feb. 4	0.35	—	1.85
Western Motor ......int.	1	Jan. 2	1	—	2.46
Young Co's. Trust ...int.	2.0	Dec. 28	1.6	—	4.2
Norwest Holst ......int.	1.9	—	1.59	—	5.04

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Plus additional 0.1247p.

BRAZIL

November 9	Price Cruz	+ or −
Acesita	1.32	−0.08
Banco Brasil	2.35	−0.02
Banco Itau	1.43	
Belgo. Min.	2.10	+0.05
Lojas Amer.	2.80	−0.02
Petrobras PP	1.64	
Pirelli	1.45	
Souza Crus	3.20	
Unip. PE	5.30	
Vale Rio Doce	2.50	−0.05

Turnover: Cr224.2m. Volume: 109.7m.
Source: Rio de Janeiro SE.

SPAIN ▼

November 8	Price %	+ or −
Asland	103	
Banco Bilbao	200	
Banco Central	225	
Banco Exterior	250	
Banco Hispano	204	+3
Banco Ind. Cat.	138	
Banco Madrid	192	
Banco Santander	212	+2
Banco Urquijo	205	+3
Banco Vizcaya	208	
Banco Zaragoza	200	
Dragados	106	−1
Espanola Zinc	60	−1
Fecsa	60.25	+0.25
Gal. Preciados	41	
Hidrola	65.25	+1
Iberduero	60.50	−0.40
Petroleos	123	+0.50
Petroliber	81	
Sogefisa	122	
Telefonica	60	−0.25
Union Elect.	67.25	+1.25

MINING NEWS

CGFA selling Bellambi Coal

BY KENNETH MARSTON, MINING EDITOR

JOINT bid of A$19.17m :10m) from Shell of Australia ıd the Australian shipping :oup, McIlwraith McEacharn, as been accepted by Consoli- ıted Gold Fields Australia :GFA) for its 64.82 per cent ake in the loss-making Bellambi oal. The bidders also intend extend their offer to other olders of Bellambi.

Shell and McIlwraith have greed to pay A$4.40 (230p) per are for Bellambi, a price which mpares with Friday's closing vel of A$4.30 and which values e New South Wales coal pro- icers at A$29.57m, reports mes Forth from Sydney.

McIlwraith, which is controlled interests associated with the airman, Sir Ian Potter, and e transport group, Thomas ationwide Transport, is a unding shareholder in Bel- mbi and already owns about per cent of the capital. It as also been the export agent r sales of Bellambi coal for any years.

Shell has indicated that it ants to end up with 49 per cent Bellambi, the maximum quity position foreign com- anies are allowed in resource companies by tha New South Wales state government.

If the offer succeeds, Shell and McIlwraith intend to carry ont significant capital spending on the Bellambi coal mine to im- prove productivity and return the operations to profits. Bellambi incurred a pre-tax loss of A$2.4m in the year to June 30 and is still running at a loss.

The Bellambi sale continues the large-scale rationalisation of the Gold Fields group's Austra- lian activities in recent years, including tha sala of its indus- trial activities, rationalisation through takeover of its mineral sands interests and a restructur- ing of its holdings in the copper group, Mount Lyell and the tin producer, Renison.

The chief executive of CGFA, Mr. B. C. Ryan, said that CGFA expected to make a decision within a few months on what to do with funds realised from the Bellambi sale and added that energy was high on the list of priorities. There has also been Australian market speculation on a possible bid for the remainder of the highly profitable Renison, which is 51 per cent owned by CGFA.

S.A. export sales at record level

OUTH AFRICA's mineral ex- ort earnings are heading wards R9bn (£5.2bn), their ourth successive record year. ut the rise, which owes much precious metals, will ba ccompanied by a downturn in old prodoction.

These trends heve been picked ut by Mr. Dennis Etharedge, the resident of the Chambar of lines, in the latest monthly re- ort published by the Chamber.

The overall increase in mineral xport earnings is likely to be 9 per cent over last year's total f R6.88bn. After the first seven ıonths of the year sales were unning 45 per cent above tha 978 rate at R5.17bn.

The net value of gold ontput ı the first half was R2.35bn ased on average price of $264 o ounce. This was 40 per cent igher than in the same period f 1978.

Since mid-September, however, ıe gold price has been con- steutly above $350 an ounce, roviding backing for the autious prediction of Mr. theredge that the gold price ill average out higher over the econd half than the first half.

But the higher price has cotched prospects of a rise in ıe total volume of South frican gold output. It has bliged the producers, under the erms of their mining leases, to ıine lower grade ore.

Production this year is likely o be slightly below 700 tonnes, ompared with earlier industry stimates of 710-715 tonnes, Mr. Etheredge said.

In the first eight months of he year Sonth African gold pro- luction was running slightly head of the 1978 output rata, but n September slipped sligbtly ehind. During 1978, produc- ion was moderately increased ver 1977 when the industry pro- luced less gold than at any time luring the previous 16 years.

Although gold remained what Mr. Etheredge called the lynch- pin of the South African economy, there has been, by con- trast, a considerable expansion in the sales volume of other minerals like uranium, coal and manganese. The whole industry benefitted from a prices surge in the early part of the year.

For platinum specifically, surge has been followed by sharp reactions on the free market. In early October the free market price touched $600 an ounce, while the prodncer price was $380. Noting that, yesterday morning, the free market price was $514, Mr. Ian Greig, the chairman of Impala Platinum, said new fears of rumours could trigger off further violent movements.

Plannum pricea have been moved by the same factors which have pushed the gold price upwards. But appreciating the need of fabricators and end- users for a stable market, "we intend to maintain the producer price concept," Mr. Greig told shareholders at the company'e annual meeting.

ASBESTOS CORP. EXAMINES GROWTH PLANS

Asbestos Corporation, the Quebec producer, is considering expansion projects which would lead to the capital expenditure of around C$122m (£49m) over the next five years.

The gronp, 55 per cent owned by General Dynamics Corpora- tion of St. Lonis, could have its Quebec assets expropriated by the province if recent legislation is followed through.

The capital expenditure figure is a "projection," e Corporation spokesman said, and includes ebout C$70m for a new shaft at Thetford Mines and nnderground mining at Asbestos Hill. Bnt decisions on these projects will not be made, respectively, until next year and 1981. Both mines are currently opencast opera- tions.

For this year Asbestos Corpora- tion has authorised capital expenditure of C$21m. Spending in 1978 was C$8.8m and in 1977 it was C$16.5m.

ROUND-UP

America's Ranchers Explora- tion and Development and Houston Natural Gas Corporation have egreed to sell 2m lb of uranium oxide from their jointly-owned Johnny M mine in New Mexico to Taiwan Power. Given Taiwan Government approval, deliveries will start early in 1981 at the rate of 750,000 lb a year. Selling prices will be on the basis of market levels at the time of delivery subject to a minimum price increasing from $40 per lb after 1981.

* * *

The new Seltrust Holdings announces that its issue of "Z" shares of 50 cents (26p) at a premium of A$2 has bean well oversubscribed. Seltrust Holdings arises out of the reconstruction of the Australian interests of Selection Trust and is, in effect, a new mining finance house. The "Z" shares carry a fixed cumulative annual dividend of 17.5 cents and are coovertible into "A" shares on which no dividends are envisaged until the desired build-up of funds has been achieved.

Warner static at half way but improvement seen

TAXABLE PROFITS of Warner Holidays in the six months to July 31, 1979 were little changed at £356,000 against £354,000. However, with bookings during the summer season at a higher level than last time, the directors expect the full year's result to show an improvement over tha 1978-79 record of £818,000.

Turnover for the period rose from £4.6m to £5m. Profits included interest and rent receivable of £18,000 (£20,000), but were struck after a rise in interest payable from £86,000 to £129,000.

The interim dividend is lifted from 0.35p to 0.5p net per 10p share—the previous year's payments totalled 1.85p.

Half-yearly tax charge took £185,000 (£194,000), leaving net profits up £11,000 at £171,000.

● comment

Warner's uninspiring first half results come as no surprise givan the economic uncertainties during the winter and the late summer. Bookings were littla changed over the period, so the 10 per cent sales rise reflects tariff increases. These were not enough to offset higher costs, and margins contracted by nearly a point to 7 per cent. In spite of this, there is every chance of Warner topping £1m pre-tax for the year, an increase of at least a fifth. Bookings have recovered dramaticaly since July, increasing by as much as 13 per cent in September. In addition, the company's major refurbishment programme has increased the quality of much of the UK holiday accommodation, so higher tariffs can be charged. At 45p unchanged the shares are on a fully-taxed prospective p/e of 7.7 while the yield, assuming a corresponding increase in the final dividend, is 8.7 per cent.

Guildhall Prop. sees near £1m

PRE-TAX PROFITS of about £950,000 for the year to June 30, 1980, are forecast by Mr. L. H. Smith, chairman of Guildhall Property Company, in his annual statement. He expects rent received to exceed £1m.

As reported on October 19, taxable profits reached £810,607 (£632,228) in 1978-79, in line with the forecast in the last annual report. Rents receivable totalled £886,488 (£720,323). The total dividend is lifted 50 per cent to 4.035p net.

The chairman says the com- pany has only one property of about 36,500 sq ft vacant. This is the subject of an agreement for lease and completion is expected in early 1980.

During the year under review, the company's subsidiary bought a freehold property at Swindon occupied by a Government De- partment, for which terms for a new lease have been negotiated, and e small industrial estate of 15 freehold factories and ware- houses at Lancing, Sussex.

Rent reviews of three of the Lancing properties have pro- duced satisfactory increases, the chairman adds. The subsidiary has also acquired the freehold interest in two factories at Ruislip, Middlesex, and one at Park Royal, where the company already holds the leasehold interest.

The directors estimate that the total value of properties exceeds £10m. This compares with the overall book value, partly at March, 1964, and partly at historic cost, of £6.28m.

At October 18, Allnatt London Properties held 2.4m shares; the Chase Charity, of which Guild- hall Property director Mr. A. Ramsay Hack is a member of the management council, held 1m shares; and Barings Nominees, 928,400 shares.

Meeting, Winchester House, EC, December 6, at noon.

COMBINED ENGLISH STORES

The Combined English Stores group has purchased £822,500 of its 9½ per cent unsecured loan stock 1986-91 for cancellation. The stock remaining amounts to £529,042.

Bridgewater sees growth in TV rental trading

FOLLOWING THE move of Bridgewater Investment Trust into the field of television rental, tha company's aim is to reach a chain of ebout 6,600 sub- scribers by March 31, 1980, Mr. R. A. Rudd, chairman, tells shareholders in his annual report.

There are in excess of 4,200 subscribers at present and with the best part of the year now before the group, there is every ground for optimism that this objective will be reached, the chairman says.

Bridgewater's share quote has been suspended since July following the announcement of the acquisition of two television rental companies, Ascot TV Rentals and Concorde TV Rentals for £35,000 cash. A rights issue to raise £0.4m was announced earlier this month.

Mr. Rudd says it is now expected that specific bargains will soon be permitted under Rule 163 (2) of the Stock Exchange regulations.

The directors are also asking shareholders to approve a change of name to Ascot TV Rentals (Holdings), a sub-division of the £1 shares in 10 ordinary 10p shares and an increase in the ordinary capital to £1.75m by the creation of 2.5m new ordi- nary 10p shares.

Referring to the rights issue, the chairman says Mr. M. A. Harper, a director of Bridge- water and Mr. A. F. Palmer have arranged to take up 50 per cent of that part of the rights to which the majority shareholder is entitled and have jointly underwritten, with the majority shareholder and the company's brokers, e third of any shares not taken up by other share- holders.

In part consideration for the acquisition of Ascot and Con- corde, Mr. Harper and Mr. Palmer have an agreement that they will be issued with up to 6.25m ordinary Bridgewater shares based on e profit and net asset value formula over a period not later than March 31, 1981.

The report shows that Sagest SA now holds 2.93m shares plus 18,000 shares held non-benefici- ally by directors, representing 49.08 per cent of the Bridge- water issued share capital.

Included in the accounts is a £56,000 payment for termination of management agreement. Meet- ing, 63, London Wall, EC, Decem- ber 5 at 3 pm.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—Advance Laundries, Arbuthnot Latham, Bromsgrove Casting and Machining, Brown Shipley, Control Securities, De La Rue, GEI International, Howard Tenens Services, L.C.P., Philips' Lamps, W. N. Smith, Young and Co.'s Brewery, Young Companies Investment Trust.

Finals—A. Arenson, Bellway, Smith Industries.

FUTURE DATES

Interims—	
Birmingham Mint	Dec. 4
British and Commonwealth Shipping	Nov. 15
Caledonia Investments	Nov. 15
Dawson International	Nov. 28
East Midland Allied Press	Nov. 14
Hargreaves	Nov. 29
Nichols (J. N.) (Vimto)	Nov. 15
Parkland Textile	Nov. 27
Paula and Whites	Nov. 22
Rediffusion	Nov. 23
Tesco Stores	Nov. 21
Transparent Paper	Nov. 27
Wedgwood	Nov. 21
Finals—	
Cambrian and Gen. Securities	Nov. 19
Fenner (J. H.)	Nov. 26
Stocklake	Nov. 19

Seccombe pays 6p interim

IN SPITE of difficult trading conditions, Seccombe Marshall and Campion, bill broker and banker, achieved profitable trad- ing in the first half of the current year, the directors say in their interim report.

The net interim dividend is increased from 5.5p to 6p per £1 share—the previous year's total was 14.8985p on net profits, after transfer to contingencies reserve, of £227,338.

BIDS AND DEALS

Senior pays £5m for first U.S. takeover

Senior Engineering Group has acquired the Boiler Tube Company of America, a stockist and manufacturer of boiler-related equipment. Senior has paid $10.525m (£5.02m) to Lockhart Iron and Steel, a privately owned American group which owned Boiler Tube.

The deal, which included $3.96m for the issued capital stock of Boiler Tube and $1.575m in respect of a debt to Lockhart, is a major step forward for Senior in the North American market. The net tangible assets of Boiler Tube on September 30, 1979, amounted to $4.661m before deducting the debt owed to Lockhart.

This is Senior's first acquisition in the U.S. It already has a subsidiary called Senior Industries, which deals in thermal and mining products. Mr. Geoffrey Deveson, the chief executive of Senior, said that Boiler Tube will complement the activities of the U.S. thermal division in the development and distribution of heat exchanger products.

BRENT CHEMICALS BUYS TRI-KEM

Brent Chemicals International has acquired the whole of the issued share capital of Tri-Kem, which makes and markets speciality chemicals for the metal finishing industries.

The purchase consideration of £610,000 was met by the payment of £330,000 and the issue of 133,335 fully paid shares of 10p each in Brent, which rank pari passu with existing shares.

The latest audited accounts of Tri-Kem for the year to July 31 1979 show sales and pre-tax profit of £1.26m and £88,000 respectively and net assets at that date of approximately £230,000.

GEC has only 9.5% of Averys

General Electric Company's initial £90.4m bid for Averys—since lifted to nearly £98m—had been accepted by holders of only 9.5 per cent of shareholders in the weighing machine company by the end of last week.

This is a tiny advance on the 9 per cent received by GEC when the offer reached its first closing date near the end of last month. GEC was obliged by the Takeover Code to state the acceptance level yesterday morning, the first working day after raising its offer from 248p to 265p a share on Friday.

CARLESS/TORCH

Carless, Capel and Leonard has acquired Torch Petroleum for £435,400, partly satisfied by the issue of 51,136 shares.

Torch Petroleum is a Colchester-based distributor of petroleum fuels and lubricants.

ASSOCIATE DEALS

Cazenove and Co., associates of London and Scottish Marine Oil Company, purchased on November 9 26,500 LASMO shares at 310p each on behalf of discretionary investment clients of Morgan Grenfell and Co.

J. Henry Schroder Wagg and Co., who are advising Averys, purchased 4,000 GEC ordinary shares at 319p on November 9 on behalf of associates discretionary investment client.

SWISS RE. 16.9% STAKE IN TRADE INDEMNITY

Swiss Reinsurance Company of Zurich has acquired a 16.97 per cent stake in Trade Indemnity, the credit insurance group in which major UK insurance groups already hold over 51 per cent of the equity.

Swiss Re. says that it regards its acquisition of 1,221,564 ordinary shares as a trade investment. It has been a major reinsurer of Trade Indemnity for many years.

At March 5, Commercial Union was shown to have a 9.36 per cent stake, Excess Insurance 6.69 per cent, Guardian Royal Exchange 18.67 per cent, Prudential Assurance 8.33 per cent, and Royal Insurance 8.75 per cent.

NO PROBE

The proposed merger of London Scottish Marine Oil and Exploration (Holdings) is not to be referred to the Monopolies Commission.

Western Motor falls at mid term

TAXABLE PROFITS of Western Motor Holdings were down from £560,000 to £467,000 for the first six months of 1979, on increased turnover of £17.18m, against £14.28m.

The directors warn that following the loss incurred by the car delivery division in the third quarter, as a result of the engineering dispute and factory stoppages, the group, as a whole, is unlikely to make a profit in the second half.

For the previous full year, profits dropped from a record £891,000 to £240,000.

Half-yearly earnings slipped to 18.18p (20.93p) per 25p share, but the interim dividend is held at 1p net—last year's final was 1.45771p.

The directors say trading results of the retail motor business were much better than those of the corresponding period last year, but those of the car delivery side were poor due to the severe weather and national transport dispute.

The pre-tax result was struck after interest charges up from £204,000 to £289,000 and higher depreciation of £461,000, against £277,000.

Tax takes £16,000 (£18,000) and there was an extraordinary credit of £84,000, compared with £240,000.

RIT pays more

An interim dividend increased from 2p to 2.5p is announced by Rothschild Investment Trust in respect of the year to March 31, 1980.

Interim figures will be published next month but in the meantime the net asset value per 50p share at October 31 is given as 365p pre-conversion and 359p on a fully diluted basis.

For the year 1978-79 pre-tax revenue totalled £5.75m, from which dividends totalling 5p were paid.

On October 18 RIT launched an offer for Hume Holdings and a week later disclosed that it had secured voting control. It was announced yesterday that the merger was not to be referred to the Monopolies Commission.

Clydesdale little changed

PRE-TAX REVENUE of the Clydesdale Investment Company, rose from £2.11m to £2.22m in the year ended September 30, 1979. First-half revenue had increased from £838,777 to £1.05m.

A final dividend of 1.45p is recommended lifting the total from 1.9p to 2.15p. A one-for-two scrip issue is also proposed on the ordinary and B ordinary shares.

If the scrip issue is approved, the directors will pay an interim for the current year of 0.5p (0.467p adjusted) on the increased capital.

Tax for the year takes £907,551 (£885,305) giving earnings per share of 2.15p against 2p. Net asset value amounts to 103.7p (109.8p).

Costain Australia bids £3.8m for civil engineer

Costain Australia, the subsidiary of the British-based international contracting company Costain, is bidding for Pearson Bridge Holdings, an Australian civil engineering group which specialises in mining orientated work. The cash offer values Pearson at A$7.26m (£3.8m).

The group chief executive at Costain, Mr. Christopher Wyatt, said that the acquisition of Pearson would be a step along the road to co-ordinating the group's coal mining interests in Australia with contracting. "We'll be pleased when it goes through because it fits in with plans for growth in Australia and in the group as a whole," he said.

The deal is expected to go through before the end of 1979. In the year to June, 1979, Pearson produced profits of A$1.4m on turnover of A$20.6m. The Costain Group produced a pre-tax profit of £46.9m last year and analysts expect £50m in the current year.

SHARE STAKES

Louis C. Edwards and Sons (Manchester)—The Scottish Northern Investment Trust holds 800,000 ordinary (5.33 per cent).

Forward Technology Industries—Mr. G. S. Allen, chairman, sold 160,000 shares and holds 7,100,333.

Lawrie Plantation Holdings—Walter Duncan and Goodricke holds 358,101 ordinary shares (14.08 per cent).

Linfood Holdings—Guinness Peat Group acquired 17,000 ordinary shares and holds 6.77m (20.03 per cent).

London and Provincial Trust—The Kuwait Investment Office acquired further 100,000 shares making holding 2.03m.

London and Montrose Investment Trust—The Kuwait Investment Office acquired further 50,000 ordinary shares making holding 581,000.

Provincial Laundries—Hoover Trust Fund purchased further 50,000 ordinary shares taking holding to 783,769 (9.1 per cent). Institutions hold some 28 per cent of equity, with Mentieth Investment Trust the second largest holder, having 5.5 per cent.

Duple International—W. S. Yeates acquired 200,000 ordinary shares making holding 4,941,666 (12.02 per cent).

Adwest Group—The holding by Racal Electronics on November 2, was 1,470,828 shares (15.01 per cent), prior to the capitalisation issue authorised on that day.

M.Y. Dart—Board announces that following recent rights issue, certain directors and their families have sold their rights entitlement (or part thereof) nil paid, and as a result 948,972 new ordinary shares have been placed with certain institutions. Following these disposals the directors and their families are interested in 3,731,938 shares representing 21.41 per cent of the enlarged ordinary share capital.

IN BRIEF

LAWTEX—Results for year to June 30, 1979, reported on October 11. Fixed assets £1.59m (£1.52m). Net current assets £3.03m (£2.8m). Secured bank advances £1.12m (£0.59m). Meeting, Manchester, December 5 at noon.

WALKER & HOMER (upholstered furniture)—Results for year to July 31, 1979 already reported. Fixed assets £417,947 (£503,060). Net current assets £532,713 (£424,544). Meeting, Birmingham, December 5 at noon.

BERRY TRUST COMPANY—Results for year to August 31, 1979, already known. Current assets £1.33m (£2.25m), current liabilities £0.56m (£1.35m), increase in liquidity £210,197 (£959,340 decrease). Meeting, Park House, London, EC, December 14, noon.

WILLIAM BOULTON GROUP—Results for year to June 30, 1979, and prospects, reported October 9. Group fixed assets £6.52m (£3.22m), net current assets £5.86m (£4.32m). Net bank borrowings decreased by £1,000 (£182,000 increase). Meeting, Newcastle, Staffs, December 5 at 12.30 pm.

SINGLO HOLDINGS (tea producers, food processors, manufacturers of soft drinks and giftware)—Results for the year to March 31, 1979, already reported. Group fixed assets £2.58m (£2.39m). Net current liabilities £21,483 (assets £410,151). Meeting, Empire House, B.E., on December 5 at noon.

COPE ALLMAN INTERNATIONAL (packaging, engineering, fashion and leisure)—Results for year to June 30, 1979, with preliminary statement and current year outlook reported October 5. Fixed assets £43.85m (£32.71m). Net working capital (excluding bank advances) £29.61m (£27.4m). Meeting, 116, Pall Mall, SW, December 3 at 11 am.

'Extravagance' in local council pensions

BY RAYMOND NOTTAGE*

BRITAIN'S LOCAL councils, which now employ one in ten of the nstion's workforce, make provision for their employees' pensions through four main schemes. They are the Local *Government Superannuation* Scheme (LGSS), which covers the councils' administrative, professional and technical staffs and their manual workers, and schemes for teachers, police and firemen.

Tbe pensions and kindred benefits paid through these schemes in 1977-78 in England and Wales were as follows:

	£m
LGSS	
basic pensinns	225
pensions increases	98
Teachers	300
Police	92
Firemen	30
	745

The LGSS basic pensions are those awarded at the dates of the employee's retirement. The figures for teachers, police and firemen inclnde pension increases.

The police and firemen's scbemes are operated on the pay-as-you-go hasis—*as is, in* effect, the teachers' scheme, *although* that has a notional (or paper) fund which is explained later. Accordingly, the pension payments of £422m made by these three scbemes cost the taxpayer that amount and, miscellaneous expenses apart, no more.

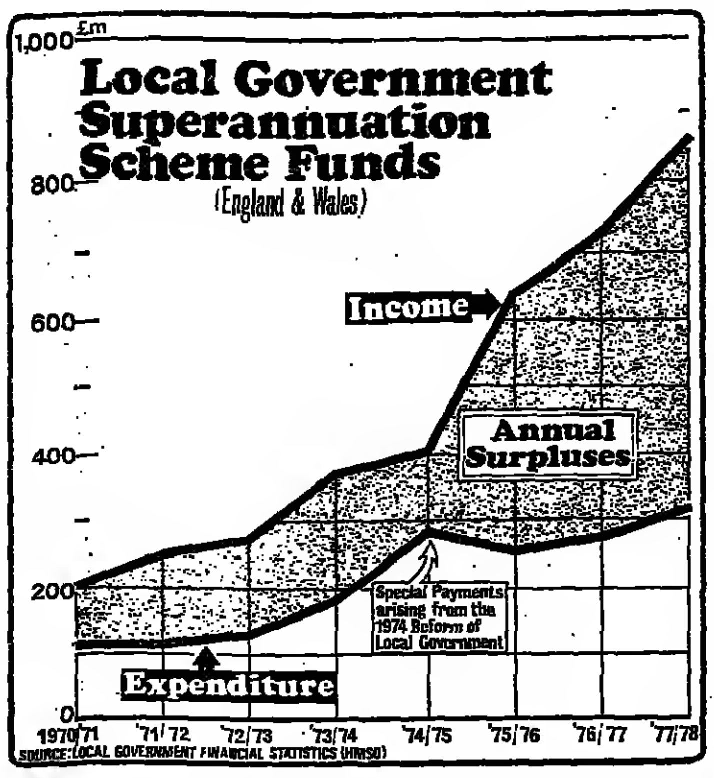
The basic pensions in the LGSS are funded, however. They are administered in England snd Wales by 85 major local authorities, and at March 1978 had assets worth nearly £3hn. The pensinns payable from *these funds* in *1977-78* amounted to £225m, hut the funds had a *gross income* of no less than £862m, the main items being:

	£m
Employers' contribntinns	324
Employees' contributinns	179
Investment income	232

The funds' surplus of income over expenditure was £550m, or nearly two and a-half times the pensions payments. In addition to their employers' contributions to the funds of £324m, however, the local councils had to pay another £98m from current revenue for pensions increases, for which the councils' pension funds have no liability.

Thus the taxpaying public met the pensions of teachers, police and firemen at minimum cost. For the pensions of the other council employees tbey *were put to great expense.*

The LGSS fonds are growing at *an increasing rate, as the* accompanying diagram sbows. *In 1970-71. their expenditure* was 54 per cent of their income, *and they produced a surplus* of £94m. In 1977-78 their *expenditure was only 36* per cent of their income and their surplns was the £550m already mentioned. The time cannot be *far* off when their surpluses will spproacb the £1hn a year msrk.



SOURCE: LOCAL GOVERNMENT FINANCIAL STATISTICS (HMSO)

Two questions arise from this. First, what is so special about the local councils' office staffs and manual workers that tbey justify fund-backed pensions when these have never heen thought to be necesssry for any other body of tax-supported public servants, civil or military?

Second, wby at a time of many fiercely competing claims for the support of socislly desirable services and projects is so much money devoted to this patently inessential purpose?

Convincing answers, one suspects, are likely to he hard to find.

A government wishing to reduce the cost of local council pensions has several possibilities open to it. It could, for example, change the financial bssis of the Local Government Superannuation Scheme to one of notional funding and so hring it into line with the teachers, NHS and UK Atomic Energy Authority schemes.

Under this system the Government Actusry would periodically assess the contributions required, on normal actusrial principles, to meet the long-term cost of the scheme's benefits. The interest credited to the halances in the notional fund would be calculated as though the funds' annual surpluses were invested at current market prices in long-dated Government securities. No stock would be actually bought and held, however.

If the *current* income from employers' and employees' contrihutions exceeded *the* ontgo for current pensions, the surplus would go *to the Exchequer.* In the event of the outgo exceeding the income the Exchequer would make up the shortfall.

The result of operating the LGSS on the notionally fonded hasis in 1977-78 would have heen as follows:

	£m
Employers' contrihutions	324
Emplnyees' contributions less refunds	150
	474
Pensinns paid	225
Payable to Exchequer	249

Apart from the income accruing to the Exchequer, the *85 existing pension funds* would no longer be required. From the purely financial point of view they could be sold to the public, along with the British Petroleum shares, New Town properties and the National Enterprise Board's more profitable holdings. By the time arrangements could be made for their disposal they would prohahly hring in hetween £4bn and £5bn.

A proposal to proceed in this wsy would no doubt meet with opposition from the unions, which would claim that their members had contributed part of the funds and they were not the Government's to sell, at least in their entirety. This difficulty could also arise from a chsnge to the ordinary pay-as-you-go *system under* which the police and firemen's schemes are financed.

The simplest and least *contentious* wsy of *proceeding* would probably he therefore to maintain the existing funds but to limit their rate of future *growth.* This could be done hy:

- Transferring the liability for pensions increases from the councils' revenue accounts to the pension funds;
- *Authorising* the *councils to* discontinue the employers' contrihutions to the funds;
- Giving the pensioners and employees covered by the LGSS a government guarantee, made msnifest in law, to honour the scheme's *present benefits,* and any subsequent improvements in them, *and to provide* Exchequer support if at any time the new financial arrangements proved to he inadequate.

On the hasis of the 1977-78 accounts these charges would cause the funds' expenditure to rise by the pensions increase payments of £98m and would *reduce their income by the* employers' contributions of £324m. The *councils and/or Exchequer* would have saved £422m, and the funds *would still have* produced a surplus of the not inconsiderable *sum of £128m.*

Since these are 1977-78 figures and are *for England and* Wales only, much larger savings would doubtless he obtainable in the early 1980s for the country as a whole. They would certainly cover the current expenditure savings of £485m which the Government wish the local councils to make as part of their expenditure plans for 1980-81 (Cmnd. 7746, Table 3), and probably do so with a comfortable margin to spare.

As a result of the suggested changes the pensioners and employees covered by the Local Government Superannuation Scheme would suffer no financial loss now or in the future. The arrangements for financing their pensions would accord *more* closely with those of their fellow public service workers; and their benefits would he met at a much lower cost to the community than at present. All of which suggests in *these* hard times that this is a matter to which Ministers and councillors *should devote* their early attention.

**The author was until recently Director-General of the Royal Institute of Public Administration.*

The discreet money makers of Munich

BY JONATHAN CARR, BONN CORRESPONDENT

MONEY-MAKING IS usually a satisfying activity. For the West German company Giesecke und Devrient (G and D) it is a passion and a vocation.

This Munich-based concern is not only proud of its present position as, among other things, the only private manufacturer of bank notes in Germany. The weight of responsibility for continuing a tradition more than a century old clearly lies beavily on it too.

The feeling conveyed if one is permitted a tour of this normally reticent enterprise is that a perfectly produced bank note has an intrinsic worth above and beyond the worst that politicians and inflation can do to it.

No one creates this impression more strongly than Herr Siegfried Otto, the silver-haired chairman, whose strong enthusiasm for paper money—"the life blood of our civilisation"—is matched by a reluctance to make public any detail which might conceivably prejudice the concern (now owned, incidentally, by the Otto and Devrient families).

For the record, it is worth saying that G and D seems to employ about 1,500 people, that its annual turnover seems to be more than DM 150m (about £40m) and that it appears to have been investing on average about DM 15m a year. These are hardly huge figures in themselves in the land of the "economic miracle." But one recognises that more is at stake as one emerges through the security precautions — of which, as one company official rightly said, many a central bank would be proud — and stands before the printing presses, specially designed by G and D, to watch that "life blood" flowing by.

It is not simply the elation at seeing such a flood of crisp, clean banknotes (made of special paper manufactured by G and D in its own factory with safeguards against forgery built in st almost every stage of the production process). It is the recognition that foreign banknotes are being printed there alongside the German ones.

Some countries order the notes themselves from G and D, others order the paper for the notes—while others order the machinery and technology to enable them to make the notes themselves. The sensitivity of this role needs little underlining, but two examples of the kind of problems which can arise are worth mentioning.

In one case, a buga consignment of banknotes on its way to a South-East Asian country had to be stopped, then withdrawn under close watch from Singapore when the Government was toppled in the customer state. In another, G and D came into dispute with the British Government when it agreed to supply Rhodesia with banknotes after the unilateral declaration of independence. The company simply says it initially agreed to the Rhodesian order after full examination of the legal position and that a solution was found which met the position of all governments involved.

Tricky problems are anything but new to the firm founded in Leipzig in 1852 by two partners, Herman Giesecke and Alphonse Devrient, who produced their first banknotes (worth 10 thalers apiece) four years later, to order from the Ducby of Altenburg. Indeed, the changing productions of G and D mirror the political and financial tumult of the last century and beyond in Germany.

Here, for example, is a rare 50 rupee note made by the company in 1905 for the "German-East African Bank"—the only note to carry a picture of Kaiser Wilhelm II. And here there is a 20bn Reichsmark note dated October 20, 1923—the purchasing power of which was certainly markedly less on October 21. Tbis was the time of the Great Inflation when, as G and D recall, it bad to print in one year more paper billions than paper millions in the preceding six decades.

During the time of the Great Inflation Giesecke und Devrient had to print in one year more paper billions than paper millions in the preceding six decades.

It continued to print during the Third Reich, including a new psper currency for Spain in the middle of the Civil War. It worked on in makeshift premises for both domestic and foreign orders even after 80 per cent of its factories were destroyed in the Leipzig bombing of 1943.

After the Second World War, it printed, in its new Munich home, new bond and share documents to replace those issued under the old Reich. Anyone wanting further evidence of G and D continuity need look no further than the printing of Olympic Games entrance tickets—another speciality of the firm. G and D produced the tickets in 1936 for the Berlin Olympics and good authority bas it that the company is doing the same for the 1980 Moscow Olympics too. A more striking example of private enterprisa knowing no frontiers would be hard to find.

Domestically, tbe biggest single boost to the company's businass bas come from the Federal German Central Bank—initially called the Bank Deutscher Laender, then from 1957 the Deutsche Bundesbank. If you bave a Deutsche Mark note in your wallet the chances are it was made by G and D. The only other manufacturer is the Bundesdruckerei, the Federal printing office, in Berlin.

Clearly G and D's long experience was a big factor in its gaining its share of the work. Another could be that the Central Bank was aiming at cost control through a judicious division of labour between the pnblic and private sectors. Whatever the explanation, it is a curious thought that the West German currency comes either from Bavaris, the most independent of the Laender which was slow to decide to joio the federation, or from Berlin which strictly speaking is not part of the Federal Republic at all.

As for the company's future activities, they depend not least on the results of the work of its research and development subsidiary, the Gesellschaft fuer Automation und Organisation, also based in Munich, founded a dozen years ago. It employs about 160 scientists, electrical engineers and other specialists and already has to its credit the invention of machines capable of counting, cbecking and sorting banknotes at high speed, however crumpled or dirty the notes may be.

Secure

The machines were developed on the order of the Bundesbank, which had examined foreign developments in the same field but concluded thst none was sufficiently secure to merit adoption.

But what if the banknote dies as a medium of transaction through increasing use of cheques, money transfer and credit cards? G and D believe they still have a viable future, but in any case the company has been involved in producing travellers' and Euro-cheques, credit cards and the like for years.

The objects nnder production may change—but there will never be a lack of demand so long as people feel the need for a medium of exchange. And that is a need, G and D observes, which has existed since roughly the time man invented fire. Clearly, G and D is a company which can afford to take the long view.

The end of a Pacific condominium

BY PHILIP BOWRING

UNIQUE form of government is on the verge of becoming extinct. Britain's Minister of State for Foreign and Commonwealth Affairs, Mr. Peter Blaker, recently helped seal its fate when, at a meeting in the capital, Vila, with French officials and local representatives, a constitution for the New Hebrides was agreed. Independence will follow next year.

Thus will disappear the last remaining condominium, in this case by the British and French. Antiquarians may mourn the demise. For 100,000 Melanesians in the south Pacific island territory, it is a matter of coping with the consequences of this very particular form of colonial "divide and rule."

The New Hebrides can claim to have been the only true modern condominium. The other officially-designated condominium was the Anglo-Egyptian Sudan, which lasted from the Battle of Omdurman in 1898 to Sudan's independence in 1956.

But the Sudanese condominium was not a partnership of equals, the British ran the show. In the New Hebrides, the British and French did so equally, but separately. The outcome was a comic-opera state of affairs, where each side had its own separate administration with its own police force and legal system.

Like their administration, the people of these small islands were divided. They were split by language—French, English and the multiplicity of local languages characteristic of Melanesia. They were riven by religion—Catholic and Protestant—and by geography, because some of the islands are remote from the others. They were also divided economically, with the usual colonial mixture of an indigenous subsistence sector and a modern expatriate-run trade-oriented plantation and urban sector.

None of this made promising material for "nation-building." But while the colonial powers fought . . division and squabbling, the Melanesians quietly evolved one unifying force: language. The lingua franca of the islands is a local form of Melanesian pidgin known as Bislama. In addition a political party has grown over the past eight years which can now claim to be genuinely national in character.

Originally known as the New Hebrides National Party, it was closely linked with Anglophones and the up-and-coming products of Presbyterian missionary schools. Presbyterianism, the predominant sect, and nationalism have been closely identified with each other.

The party, which changed its name to Vanuaaku Pati in 1977, has also developed more than a sectarian following. It is expected to emerge as the largest party in the elections to be held in November and to lead the nation to independence.

The strength of the Vanuaaku party was the main reason why France last year abruptly changed its mind about independence for the New Hebrides. Unlike the British, who were more than willing to dispose of their last colonial obligation in the South Pacific, France and the local Francophones had favoured preservation of the status quo.

Their aim was to keep the Anglophones at bay, and to preserve ties with France and with neighbouring New Caledonia—the wholly Francophone, nickel-rich island which is an overseas *département* of France.

The well-organised Vanuaaku boycotted the Government, even though it was the largest party in the elected assembly, to press for electoral and constitutional reform. The Government was left in the hands of a group of "moderates," but France soon recognised the local political realities. Britain and France dropped their old rivalries and decided to co-operate to bring about a smooth transition to independence.

The Vanuaaku is a mildly left-of-centre party whose biggest problem, if it takes office, is likely to be to forge a measure of economic independence while meeting nationalist aspirations. Government revenue is almost entirely dependent on grants from Britain and France, and foreign exchange comes from the same source plus some copra exports and earnings as a tax-free financial centre and tourist destination.

Britain alone is providing £3.5m this year in project aid and paying for 160 administrative posts. In addition, £3m has been set aside to fund projects which could eventually generate revenue for the Government.

An independent Government needing revenue will be faced with deciding whether or not to promote the status of the New Hebrides as a tax-haven. At present a handful of foreign banks are established in Vila, including the Hongkong and Shanghai, Barclays, ANZ and Banque de l'Indochine. Some offshore loans are booked through these branches.

There is also an active business in brass plate companies taking advantage of the lack of tax, easy registration and the application of British commercial law. The Vila connection is attractive to Hong Kong companies wishing to avoid that colony's taxes. It is also popular among Australians who looked to Vila after Canberra cracked down on Norfolk Island's status as a tax-haven.

Distance is also a barrier to the development of tourism, and unlike either New Caledonia with nickel or Papua New Guinea with copper, no instant revenue sources have been discovered. Independence will therefore bring a difficult dilemma: whether to encourage expatriate-oriented activities like tourism and banking to generate foreign exchange, or opt to lower the standard of life for the better-off, reducing consumption of wine, cars and imported food, and try instead to raise the low standard of living of its isolated subsistence farmers and fishermen.

This economic problem is likely to be more of a difficulty than replacing the condominium's awkward dual control system with a unified national administration.

UK COMPANY NEWS

55 companies wound-up

Orders for the compulsory winding up of 55 companies were made by Mr. Justice Oliver in the High Court. They were:

K. M. Straw; Stovold Serigraphics; Thompson and Riches; Silvergreen; and Rowdec Group Holdings.

R and C Boyle; Richard Hodgson; Jimmy Dunn (Motor Cycles); GAG Electronics; and Absotent.

Bushwade; Clydean; Emden and Miller; Eric Howarth; and J. N. Transport and Haulage.

H. W. Associates (Media Enterprises); Nash House Investments; Thorncot Properties; and T. M. Rogers.

Twig Investments; Alexander "Hair Formation"; Courtesy Carriers; and Driancrest.

Folmead; His and Hers Hairdressing Salons; Ladhall; Longrealm; and Povington.

Doledene; Middle East Public Relations Trade Company; Agecalm; Bristol Study Tapes; Camelot Coatings; and F.A. Building.

Finality Laminations; J. W. Oliver (Haulage); Manhattan Computer Systems; Prizehurst; and Palmer Machinery.

Rokebill Builders; The Silent Majority Company; Westodeal; Fabrique Enfant; and C.A.C. (Mechanical Services).

Trio Homes; Why Pay More; Jasoo and Lawrence; Ravon Construction; Dajon Fashions; and Keland.

Stow-a-Way Trailers; Cantelowes Builders; Cwmbran Building and Roofing; Ecco Engineering; and Strington.

A compulsory winding up order made on November 5 against The Court Ballrooms (Balham) was rescinded and the petition dismissed by consent.

A compulsory winding up order made on October 29 against Owen Interiors was rescinded and the petition adjourned for 28 days, after it had been stated that the company had been struck off and dissolved.

CORAL INDEX: Close 410-415 (−9)

INSURANCE BASE RATES

† Property Growth	13¼%
† Vanbrugh Guaranteed	13¼%

† Address shown under Insurance and Property Bond Table.

Labour troubles endanger Fiat's future, says Agnelli

BY PAUL BETTS IN ROME

THE FUTURE of Fiat, Italy's largest private enterprise which is expected to report a loss on its car manufacturing activity this year, could be seriously jeopardised if protracted labour agitation facing the company continues according to Sig. Umberto Agnelli, Fiat's deputy chairman and chief executive.

The warning appeared in the latest issue of the company's in-house magazine, Illustrato Fiat, which is distributed to the group's 300,000 employees.

It comes at a time when Fiat is involved in a major confrontation with the Italian trade unions over the company's decision to dismiss 61 workers it claims have been instigating violence and unrest in its Turin plants. The unions are accusing Fiat of attempting to undermine their influence and re-establish the authority of the employers.

Sig. Agnelli said Fiat had lost 200,000 cars this year because of labour unrest, and that the group's car sector would report a financial loss this year.

Fiat's car production this year is expected to total 1,450,000 cars, but could have been much higher if the company had been able to meet the demand for its models introduced earlier this year.

Fiat's car sector accounts for about 45 per cent of the group's overall annual turnover. However, the group's financial holding, Fiat SpA, is still expected to return a dividend this year, largely as a result of profits from its financial operations.

The current dispute between Fiat and the unions has now provoked widespread political repercussions in Italy, and indeed appears to have deeply embarrassed the Italian Left, particularly the Communists, Italy's second largest party.

Sig. Giorgio Amendola, the veteran Communist Party leader and one of its most influential spokesmen, has now publicly criticised both his party's recent policies and the trade unions, claiming they had both adopted ambiguous and contradictory positions and must share the blame for the country's current social and economic difficulties.

In an article in the Communist weekly Rinascita, Sig. Amendola wrote at length on the Fiat issue, using it as a peg to condemn many of the recent policies of the unions and his own party.

Sig. Amendola's blunt criticisms have now caused bitter discussions and rifts within both the Communist Party and the unions.

Sig. Enrico Berlinguer, the Communist Party secretary-general, was forced to defend his party publicly at the weekend in a speech in Rome in which he claimed Sig. Amendola had not considered the party's long-term objectives.

Such a public discussion by the Communists about the Communists is a rare event in Italy, and reflects the deep preoccupation of the party following its setback in the June general election. The Communists' losses in the election demoralised the party's rank and file and caused growing strains within its leadership.

Moreover, the absence of any major unrest in Turin yesterday, when the workers dismissed by Fiat and reinstated by the Turin labour tribunal tried to resume work but were turned away by the company, was also regarded as significant.

The unions are clearly deeply embarrassed by the whole affair, as they have repeatedly condemned violence in the factories, but at the same time they have been preoccupied over not losing support on the Left.

After the decision by the Turin labour tribunal to reinstate the 61 Fiat workers last Thursday, Fiat issued new dismissal notices and handed them to those workers who tried to return to work yesterday. In the company's magazine, Sig. Umberto Agnelli claimed they had "contributed to the climate of intimidation and violence inside the plants."

FT INTERNATIONAL MARKETS COVERAGE

Tokyo features in extended list

BY JOHN MAKINSON

COVERAGE of international stock markets is being extended by the Financial Times from today. Some indices are being changed, new ones are being introduced and the list of stocks carried by the paper is being expanded. The new service coincides with the revival of interest in foreign markets, which has followed the recent abandonment of exchange controls.

The FT has already made significant changes in its presentation of the North American stock markets. The number of New York stocks listed has been increased by around a half.

To accommodate the additional space required for stock prices, the FT has eliminated the dividend and yield columns which have until now been featured in most foreign stock lists. Wide variations in the calculation of these figures in individual countries, coupled with the differing tax position of dividends abroad, made the entries difficult to compare and of doubtful value.

Every Monday, however, the FT will publish the year's highs and lows for listed stocks (as at present with London prices).

The purpose of the new presentation is to provide FT readers with a more comprehensive and accurate view of overseas stock markets. Indices have been changed to conform with the attention paid to them locally, while the selection of stocks has been based on trading volume and their importance to the economy.

The most drastic revision is in the coverage of Tokyo stocks. Until now, less space has been devoted to this market than, for example, to Canada, despite the fact that Tokyo has the second largest market capitalisation of any stock exchange—more than twice that of London. The number of stocks listed has been accordingly been increased from 42 to 198 and a new index, the Tokyo Dow, has been added.

Benchmark index

Like its New York counterpart, the Tokyo Dow is a benchmark index, probably of wider interest than the more comprehensive Tokyo New Stock Exchange index. The latter is however required information for the specialist investment manager, so in future the FT will publish both.

To strengthen the Far East coverage further, a small number of Singapore and Hong Kong stocks will be quoted daily. Prices for these two markets have in the past been confined to a weekly quotation.

The main change in Australia has been to introduce the Sydney Metals and Minerals index, which will be quoted together with the Sydney All Share Ordinary index. The South African industrial and mining lists have been amalgamated. There has been no change in the South African indices.

The European stock listings have been amended, but more modestly than those for the Far East. The size and content of individual lists have been revised. More major surgery has been carried out on the indices used for European countries.

The index hitherto used for France is the "Paris Bourse 1961." Otherwise known as "CAC Industriel" index, it is produced by the French stockbrokers' association. The association also produces a general index, incorporating finance and service stocks, which is more widely used in Paris than the industrial version. In future, the FT will publish the CAC General.

The CAC General index records the opening prices on the Paris "comptoir" or cash market. Since French brokers trade both on the "comptoir" and "a terme"—or account market, the FT is also publishing an index for "a terme" prices. This is the "Indicateur de Tendance," a more narrowly-based index than the "CAC Generale" comprising around 50 stocks and based on late trading.

French domestic bonds

The three most heavily traded domestic bonds have been added to the Paris stock list, in recognition of the very large volume in state-sector bonds on the exchange. They comprise two 1973 state issues and a bond from the Caisse Nationale de l'Energie. One state issue is linked to the gold bar, the other to a gold coin and they move roughly in line with the gold price, while the price of the CNE bond is determined primarily by the turnover of state energy bodies.

For West Germany, a second index has been added. Until now, the FT has quoted only the Commerzbank index, which is comprehensive but used less widely in Germany than the Frankfurter Allgemeine Zietung (FAZ) index. A problem with the Commerzbank model is that the base predates the FAZ by five years, so that the figures are much higher and movements more difficult to compute. The Commerzbank remains a useful tool, however, so both indices will now be listed.

A supplement to the FT's index for the Netherlands was also felt necessary. The ANP-CBS industrial index excludes financial and insurance stocks, which have considerably outperformed the Amsterdam market over the past few years. It also leaves out international shares, which comprise the bulk of the market's capitalisation and attract most foreign interest. The ANP-CBS general index is therefore being added.

Indices have also been introduced for Vienna and Oslo, since the FT prints stock prices for both markets daily. Finally, the name of the Stockholm index has been changed from Stockholm Industrial to the accurate form of Jacobson and Ponsbach.

Further information on stocks and indices can be obtained from the following address: Statistics Department, Financial Times Library, Bracken House, Cannon Street, London EC4P 4BY.

The department can in some cases provide historical information about prices and indices. If not, it will put readers in touch with local sources.

EUROBONDS

Pact on placing of DM issues

BY FRANCIS GHILES

MEMBERS OF the German Capital Markets Sub-Committee have reached a gentlemen's agreement whereby any foreign Deutsche-Mark bonds they may arrange in the future will not be placed directly outside the German capital markets.

This follows the placing by BHF Bank of a DM100m bond for the European Investment Bank in London last week. The news of this placing ruffled a few feathers in the German banking community, especially among some of the larger banks.

The gentlemen's agreement is also understood to include an undertaking not to list D-Mark bonds arranged in the German capital markets solely in a foreign stock exchange, such as Luxembourg. This has happened a few times but is unlikely to be repeated—at least for the time being.

As for a non-German bank attempting to arrange a Deutsch Mark denominated bond, German bankers say that the Bundesbank would look askance at such a development. One banker in London snapped: "he who tried would need guts."

The Sub-Committee yesterday agreed on a calendar of new issues amounting to DM 400m for the next three weeks to which an issue for a supranational borrower, which technically need not be included in the calendar, could be added.

No date has been set for the next meeting and the sub-committee might thus not convene until after Christmas. The DM400m worth of new issues is split into four equal sizes, two of which will be brought by Commerzbank (on November 15 and 20 respectively) and two by Westdeutsche Landesbank (on November 26 and December 7).

The issue for the supranational borrower, which could be a large one, is widely expected to be brought to the market by the Deutsche Bank.

Dollar Eurobond prices moved up yesterday on the back of a sharp fall in Eurodollar interest rates. The three month Libor rate fell by nearly ¼ of a point to 15 3/16-7/16 per cent.

Straight dollar bonds posted gains of between ⅛-½ a point but demand was strongest for floating rate paper. Some issues which have recently had their coupon set or readjusted are now offering investors a better return than the money markets

Reliance Group to buy UV Industries for $449m

NEW YORK — Reliance Group, the leasing and insurance company, and UV Industries yesterday jointly announced that their Boards have approved an agreement whereby Reliance would purchase all of the assets and assume all the liabilities of UV for a total consideration of $449m.

The purchase price consists of $5 in cash and $24.58 principal amount of 20 year 13½ per cent subordinated sinking fund debentures for each currently outstanding share of UV common stock.

Shareholders of UV Industries, which is 23 per cent held by Sharon Steel, approved a Plan of Liquidation in March this year, which calls for the assets ot be sold or distributed to shareholders. The sale of Federal Pacific Electric to Reliance Electric for $345m was completed in March.

The company has also sold off its oil and gas properties to Tenneco Corporation for $135m and the management has said that it "is working with numerous parties who have expressed interest in other operations of the company."

Its principal remaining operations are copper mining and milling in New Mexico: mining of low sulphur steam coal in Utah: gold mining in Alaska: and the fabrication of copper and brass products by Mueller Brass—the spinning off of Mueller to shareholders has been considered.

In 1978, UV Industries earned $4.56 a share on sales of $593.9m with the bulk coming from the electrical and electronic divisions.

The assets of UV Industries consist of its various natural resource and other properties and approximately $306m in cash and marketable securities.

The liabilities assumed include various indentures and guarantees totalling $131m.

The debentures will mature in 2000 and be redeemable in 1990 at the principal amount thereof through operation of a sinking fund providing for the redemption of 5 per cent of the debentures per annum and will be callable at a premium at Reliance Group's option, beginning in 1989.

In all other material respects, the debentures will have substantially the same terms as Reliance Group's 9¼ per cent subordinated sinking fund debentures due 1999 which are listed on the New York stock exchange.

An application to list these debentures on the NYSE will be made by Reliance Group.
Agencies

Locatel hits at State for bid hold-up

By Terry Dodsworth in Paris

THE FRENCH Government's reference of the bid from Thorn Electrical Industries of the UK for Locatel, the television hire company, to the Monopolies Commission has attracted the disapproval of the French group's main board.

Presenting the accounts for the year to the end of August, the board said that it regrets the problems caused to shareholders by the reference, which was made in September after the agreed bid in June. No decision on the offer by the British company has so far been announced by the commission or the Economics Ministry, the final arbiter.

Locatel's annual figures show a solid improvement in profits, which rose by 21.8 per cent from FFr 11.6m in 1977-78 to FFr 14.1m ($3.3m) last year. This follows an increase in the depreciation charge from FFr 56.5m to FFr 60.7m.

Locatel is reckoned to be the largest French television hire company, controlling some 80 per cent of the market. But its figures show that so far the hire business in France is in its infancy. Out of a total of 15.5m television sets in use in France, Locatel owns 98,856 colour sets and 72,681 black-and-white.

The Locatel board is proposing a higher dividend to shareholders. Total outlay will go up from FFr 6m to FFr 8.4m, giving a payment per share of FFr 10.50 net of tax, compared with FFr 9.50 in 1977-78.

● The French pharmaceuticals and cosmetics company created by Elf Aquitaine, Sanofi, is well on the way to increasing its profits this year.

First-half figures for the group, which is now in the process of reorganisation, show net earnings of FFr 61.3m ($14.6m). There are no figures available for the same period last year, but during the whole 12 months of 1978, Sanofi earned FFr 89.9m.

Increased turnover at Frionor

BY FAY GJESTER IN OSLO

THE NORWEGIAN frozen foods company Frionor, which has subsidiaries in Britain, the U.S., West Germany, Sweden and Switzerland, has reported a 13.4 per cent increase in turnover to NKr 1.1bn ($220m) in the year to June 30. Exports accounted for NKr 887m of this. Volume sales rose by 14.3 per cent to 90,000 tonnes of deep frozen products, of which fish and fish products accounted for 81,000 tonnes.

The company, which is a marketing organisation for 120 Norwegian freezing plants, said that satisfactory results were achieved despite a fall in raw material supplies to its filleting plants—a result of poor catches in the period. This cut frozen fillet production by about 13 per cent, but the fall was more than offset by increased output of less traditional lines such as frozen capelin, mackerel, blue whiting and whale meat, plus a rise in the production of more highly processed goods.

However, the company expressed concern at the prospect of a further fall in raw material supplies as a result of smaller catch quotas. It urged that freezing plants should be given priority when scarce supplies are being allocated.

The decline in the value of the dollar during the year made the company concentrate its sales efforts on more profitable markets, such as the UK, where currencies appreciated. The U.S. remained Frionor's most important single market, however, accounting for 34.5 per cent of total turnover. Second came the EFTA area (28.8 per cent), followed by the EEC (18 per cent). Exports to the Comecon countries rose slightly to about 7 per cent.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on November 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	80	86¾	87¼	+0¼	+0¼	12.36
Alex Howden XW 9½ 91	30	†76	78	+0¼	+0¼	13.52
Australian Res. 9¾ 84	30	91½	92	+0½	−0⅛	11.98
Avco O/S Cap. 10⅛ 87	40	†84	84½	+0⅞	+0¼	13.70
Beneficial Fin. 9¾ 87	100	88¾	89¼	+0⅞	+0⅞	12.00
CECA 10⅛ 91	150	87½	88	+1	+0¼	12.81
CECA 9¾ 99	125	†90½	91	+0⅛	−0¼	12.76
Canadian Pacific 9¾ 89	50	88¾	89¼	+0⅛	−0⅛	11.73
Carter Hawley 9¾ 88	50	88½	89	+0⅛	0	12.30
Comalco Inv. E. 10⅛ 91	40	88⅝	89⅛	+0½	+0¼	12.05
Continental Grp. 9¾ 86	100	89⅜	89⅞	+0⅛	+0⅛	12.01
Dome Petroleum 10 94	50	87¼	87¾	+1	+0⅞	11.84
Dominion Bridge 10⅛ 84	30	92	92½	+0⅛	+0⅛	12.53
Dow Chem. O/S 9¾ 94	200	86⅛	86⅝	+1⅛	+0⅛	11.60
EIB 9⅞ 87	150	†91⅞	92½	+0⅞	+0⅛	11.81
EIB 10 99	150	†89	90½	+1⅛	+0⅛	11.63
EIB 10⅛ 87	100	†92⅞	93⅜	+1⅛	+0⅛	11.95
EIB 10.15 99	100	†90	91	+1⅛	+0⅛	11.69
Export Dv. Cpn. 9¾ 84	100	91⅛	91⅝	+0⅛	0	11.85
Export Dv. Cpn. 9⅜ 84	150	92⅛	92⅝	+0⅛	−0⅛	11.38
Finland 9½ 86	100	88¾	89¼	+0⅛	+0⅛	12.02
Finland 9¾ 89	100	†87	88	+1	+0⅛	12.18
GTE Finance 9½ 84	50	90⅝	91⅛	+1⅛	+0⅛	12.32
GTE Finance 9¾ 89	55	86½	87	+1	+0⅛	12.13
General Motors 9½ 86	100	88⅞	89⅜	+0⅛	+0⅛	11.89
Gould Int. Fin. 9¾ 85	50	90½	91	+0⅛	+0⅛	12.19
Hudson Bay Co. 10 84	50	89	89½	+1	+0⅞	11.56
ITT Antilles 9½ 89	75	88⅛	88⅝	+0⅛	−0⅛	11.93
Kennecott Int. 9½ 86	100	86	86½	+0½	+0¼	12.70
Manitoba 9½ 89	75	86⅞	87⅜	+0⅛	−0⅛	11.83
Michelin 10 94	125	86⅞	87⅜	+0⅛	−0⅛	11.87
Nat. Des. Telecm. 9½ 86	100	89⅝	90⅛	+0⅛	+0⅛	11.76
New Brunswick 9¾ 84	75	88⅛	88⅝	+0⅛	0	11.74
Newfoundland 10 94	50	87⅝	88⅛	+0⅛	0	11.77
Norges Komm. 9⅞ 99	100	†89	90½	+1	+1⅛	11.48
Norway 9½ 84	150	92½	93	+0⅛	+0½	11.63
Nova Scotia Pwr. 9¾ 89	50	87¾	88¼	+0⅛	0	11.90
Occidental Fin. 10⅛ 84	50	†91⅞	92⅜	+1⅛	+1⅛	12.62
Orient Leasing 9½ 86	25	†88	88½	+0⅛	−0⅛	12.15
Pennwalt O/S F. 9¾ 84	25	91⅛	91⅝	+0⅛	+0⅛	12.25
Pepsico Cap. 9½ 84	100	91⅞	92⅜	+0⅛	+0⅛	11.69
Quebec Hydro 10 99	78	88⅛	89	−0⅛	+0⅛	11.45
Sears Roebuck 9 82	150	93⅜	93⅞	+0⅛	+0⅛	12.35
Statoil 9¾ 89	100	87⅞	88⅜	+0⅛	−0⅛	11.72
Sweden 9¾ 89	100	88	88½	+0⅛	−0⅛	11.86
Sweden 9½ 86	200	†90½	91¼	+0⅞	+0⅛	11.88
Sweden 9⅞ 84	100	92½	93	+0⅛	0	11.80
Unilever NV 9½ 87	100	88⅛	88⅝	+0⅛	+0⅛	11.60
Warner-Lambert 9 84	100	90⅞	91⅜	+0⅛	+0⅛	11.58

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 8 87	100	†97½	98	—	—	8.40
Argentina 7½ 89	150	92½	93¼	−0⅛	−1⅛	8.62
Asian Dev. Bk. 7¾ 89	100	91⅝	92⅛	0	−1⅛	8.50
Banco Desarrollo 7¾ 86	100	92¼	93	−0⅛	−0½	8.81
Barclays O'seas 6¾ 89	100	91⅞	92¼	−0⅛	−2⅛	8.00
Brazil 8 87	150	95	95¾	+0⅛	−0½	8.84
CECA 7 91	150	91	91¾	−0⅛	−2⅛	8.18
Council of Eur. 7¾ 89	100	94½	95⅞	−0⅛	−0⅛	7.99
Denmark 6½ 89	100	88½	89¼	+0⅛	−1	8.26
EEC 7⅞ 94	225	95⅞	96⅜	−0⅛	−0⅛	8.34
EIB 7½ 89	200	94¾	96½	−0⅛	−2⅛	8.25
Eletrobras-Brazil 7 87	100	92¾	93¼	+0⅛	−1⅛	8.32
Eurofima 6½ 89	100	93⅜	94	−0⅛	−1⅛	7.48
Kobe, City of 7¼ 89	150	93⅞	94⅝	+0⅛	−0⅛	7.88
Mitsubishi Chem. 6½ 84	70	94½	95½	+0⅛	+0⅛	7.82
New Zealand 7¼ 87	200	93⅞	94⅝	0	−1⅛	8.16
Nippon Kokan 6½ 84	100	93⅞	94⅛	−0⅛	−1	8.09
Nippon Tel. & T. 5½ 87	100	86⅝	86⅞	+0⅛	+0⅛	8.00
Norges Komm. 7¾ 91	150	97⅛	97⅞	+0⅛	−2⅛	8.08
Norway 6¾ 94	200	94½	96	+0⅛	−0⅛	7.73
OKB 8 87	40	†91½	92¼	0	0	7.47
OKB 7¼ 89	100	85	86⅛	−0⅛	−1⅛	6.07
Tokyo Elec. Pwr. 6½ 85	200	91⅝	92⅛	−0⅛	−1⅛	8.77
World Bank 7¾ 91	400	95⅞	96½	+0⅛	−0⅛	8.32

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Argentina 5½ 89	80	98¾	98⅞	0	−0⅛	5.68
Aumar 5 89	60	96	96⅜	−1⅛	−2⅛	5.49
Australia 3¾ 89	250	91⅝	92	−0⅛	−0⅛	4.71
Bergen, City of 4¾ 91	40	96⅝	96¾	−0⅛	+0⅛	6.15
BNOE 5 89	75	89	89½	−0⅛	−1	6.53
BMW Overseas 4¾ 91	100	95⅝	96	−0⅛	−0⅛	4.71
Caisse Nat. Tels. 4¾ 89	100	96⅝	96⅞	−0⅛	−0⅛	4.31
Canada 3¾ 89	300	92	92¼	−0½	−1⅛	4.68
Copenhagen 4½ 91	60	96	96½	0	−0⅛	4.92
EIB 4½ 91	100	94½	95	0	−1	5.11
EIB 4¾ 84	100	89½	90	−5½	−5⅞	6.40
Elet. de France 4⅝ 89	100	96⅝	97	0	+0½	4.82
GZB 4⅝ 89	100	91⅛	91½	−0½	−2	5.39
Hilti 4½ 91	35	98¾	99	−0⅛	−0⅛	4.87
ICI Fin. NV 3½ 94	230	87	87½	0	+0⅛	4.74
Int.-Amer. Dev. 4½ 89	100	93½	94	+1⅛	+2⅛	5.84
Malaysia 5 89	80	92⅝	92⅞	−0⅛	−1	6.03
Nippon Tel. & T. 4⅝ 89	100	96⅛	96½	−0⅛	−0⅛	4.72
Nordic Bank 5 89	45	100	100⅛	+0½	+0⅛	4.87
Norges Komm. 4¾ 91	100	93⅛	93⅝	−0⅛	−0⅛	5.15
OKB 3¾ 91	100	85	85¼	−0⅛	−0⅛	5.65
OKB 4¾ 91	100	91⅝	91⅞	+0⅛	−0⅛	5.32
Oslo, City of 4¾ 91	100	92	92¼	—	—	5.28
Pfand Ost. Lande 4 90	60	89	89½	−2⅛	−2⅛	5.37
Shikoku El. Pwr. 4⅝ 89	100	98	98¼	−0⅛	−0½	4.99
Spain 4 81	100	92⅝	93	+0⅛	+0⅛	4.83
Stewaag 4¾ 91	60	98⅛	98⅝	−0⅛	−0⅛	4.80
Voest-Alpine 4⅝ 89	90	99⅝	100	0	+0⅛	4.78
World Bank 4¾ 89	100	99⅛	99⅝	+0⅛	+0⅛	4.82
World Bank 4¾ 89	150	93	93¼	−0⅛	−2	5.29
World Bank 4¾ 91	100	92⅝	93	−0⅛	[illegible]	5.45

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.8 83	30	88⅝	89⅛	+0⅛	0	9.04
Australia 6½ 88	20	85⅛	86⅛	0	−0⅛	8.92
EIB 7⅛ 89	12	97⅛	98⅛	−0⅛	−0⅛	8.06
Finland 5.8 83	10	89⅜	89⅞	−0⅛	+0⅛	9.12
Finland 6.8 88	10	87⅞	88⅞	−0⅛	−0⅛	8.88

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 8 84 SDR	20	†95½	97	+1½	+1	10.08
Avco Fin. 10⅛ 86 C$	25	†88	88½	+0½	0	13.00
Bell Canada 10⅛ 86 C$	60	†92	92¾	+0⅛	0	12.48
Cr. Foncier 10⅛ 84 C$	30	†89	89¾	+0½	−0⅛	13.48
Ex. Dev. Cpn. 10 84 C$	50	†91	91½	−0⅛	−1	12.62
Fst. Can. Inv. 10 84 C$	50	†91	91½	+0⅛	0	12.62
Hudson Bay 10½ 89 C$	60	†89½	90	+0⅛	−0⅛	12.37
Quebec 10⅛ 86 C$	50	†89¾	90	+0⅛	−0⅛	12.67
R. Bk. Canada 10 86 C$	40	†89	89¾	+0⅛	−0⅛	12.47
R. Bk. Canada 10 84 C$	40	†84	84½	+0⅛	+0½	12.37
Copenhagen 8⅛ 91 EUA	25	96½	97	−0⅛	−1⅛	8.70
Copenhagen 8⅛ 91 EUA	20	100⅛	101⅛	−2⅛	−2⅛	8.84
SOFTE 8⅞ 89 EUA	40	90⅞	91⅞	−0⅛	−1⅛	9.67
Algemene Bk. 8⅛ 84 Fl	75	†96½	97	0	−0⅛	8.10
Amev 8½ 86 Fl	75	†96½	97	−0⅛	−0⅛	8.15
EIB 8 94 Fl	150	†98⅛	98⅝	−0⅛	−0⅛	8.10
Ned. Middbk. 8⅛ 84 Fl	75	†95½	96	−0⅛	−0⅛	9.46
Norway 8⅛ 84 Fl	100	†96⅛	96⅝	−0⅛	−0⅛	9.24
Norway 8⅛ 84 Fl	100	†96⅛	96⅝	−0⅛	−0⅛	9.15
Air France 11 84 FFr	120	97⅛	98⅝	−0⅛	−1	11.47
Euratom 9¾ 87 FFr	150	86⅛	86⅝	−0⅛	−1⅛	12.74
Finland 11 84 FFr	80	96⅛	97⅛	0	−0⅛	11.90
Finland 11⅛ 89 FFr	70	95½	96½	+0⅛	+0⅛	12.21
Gaz de France 11 84 FFr	150	96⅞	97⅞	−0⅛	−0⅛	11.86
Norway 9¾ 84 FFr	200	89⅛	89⅞	0	−2⅛	12.54
PSA Peugeot 9¾ 87 FFr	175	85½	86½	−0⅛	−2	12.81
Renault 9¾ 85 FFr	100	87⅛	88⅞	−0⅛	−3⅛	12.72
Saint-Gobain 9¾ 86 FFr	130	85⅛	86⅛	−0⅛	−2⅛	13.10
Solvay et Cie 9¾ 87 FFr	125	86	86⅝	−0⅛	−3	12.89
Total Oil 9⅛ 87 FFr	150	83	84	−1	−3⅛	12.96
Citicorp 10 93 £	20	82⅞	83⅜	−0⅛	−1⅛	12.64
EIB 9¾ 88 £	25	78⅛	78⅞	−0⅛	−2	14.33
EIB 11⅛ 91 £	25	85⅛	85⅞	−1⅛	−2⅛	14.07
Finance for Ind. 13 91 £	15	92⅞	93⅜	−0⅛	−1⅛	14.28
Fin. for Ind. 12½ 89 £	30	89⅛	89⅞	0	−2⅛	14.55
Gen. Elec. Co. 12½ 89 £	50	89⅜	90½	−0⅛	−2⅛	14.45
Indonesia 8⅛ 91 KD	7	†94½	95	0	0	9.50
Mitsubishi 7½ 84 KD	10	†95⅛	95⅝	0	0	8.69
Norges Kom. 7½ 89 KD	12	†93⅛	93⅝	0	0	8.51
Occidental 8⅛ 91 KD	7	†92⅛	92⅞	−1	0	9.31
Akzo 8⅞ 87 LuxFr	500	*93	94	0	0	10.49
Euratom 8 87 LuxFr	500	90⅛	91⅛	−0⅛	−0⅛	9.87
Norges Kom. 8 89 LuxFr	500	90	90⅞	+0⅛	+1	9.36
Oslo, City of 8 89 LuxFr	500	89⅛	90½	+0⅛	+0⅛	9.63

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma Int. 8 87	0⅛	99	99½	26/4	15⅛	15.87
Bco. Nac. Argent. 7 86	0⅛	95⅛	95⅝	22/3	13.19	13.81
Banco Prov. BA 7¾ 86	0⅛	97⅛	97⅞	12/12	11	11.27
Banco Urquijo 8 86	0⅛	96⅞	97⅛	21/3	13⅛	13.77
Bank of Tokyo 5½ 89	0⅛	98⅛	98⅞	25/10	16.16	16.41
Bque. Indo Suez 5⅛ 89	0⅛	97⅝	98⅛	11/1	11	11.24
BNP 5½ 91	0⅛	96⅝	97⅛	22/2	11.94	12.31
Citicorp O/S Flo. 8 94	‡0⅛	99⅛	99⅝	8/12	12.81	12.89
Citicorp O/S 89	‡0	99⅛	99⅝	23/11	11.88	11.95
Creditanstalt 5½ 91	‡0⅛	97⅞	98⅛	14/12	12.94	13.1
CNT 5¾ 86	0⅛	98	98½	15/4	15.19	15.3
GZB 5½ 89	‡0⅛	98⅛	98⅝	1/11	11.44	11.5
Jugobanka 8 89	0⅛	94⅞	95⅝	23/11	11⅞	12.4
LTCB Japan 5½ 89	0⅛	98⅛	98⅝	7/12	11⅛	11.2
Mfrs. Han. O/S 5¾ 94	‡0⅛	99	99½	23/11	12.56	12.6
Nacional Fin. 6⅛ 86	0⅛	96⅛	96⅝	25/1	11½	11.9
Nat. West. 5¾ 94	0⅛	97⅛	97⅝	11/1	14.94	15.3
Nippon Cred. Bk. 8½ 85	0⅛	96⅝	97⅛	12/1	10⅞	11.2
Royal Bank Scot. 5¾ 94	‡0⅛	98⅝	99⅛	11/1	14.84	15.1
Soc. G. de Banque 6½ 87	0⅛	96⅞	97½	3/4	13⅛	13.68
Sogenal 5¾ 89	0⅛	96⅛	96⅝	11/1	10.81	11.20
Sweden 6⅛ 91	‡0⅛	*97	97½	18/1	15	15.42
TVO Pwr. 9 01 (D-lock)	0⅛	96⅞	97⅜	24/11	11⅛	11.4
Utd. Overseas Bk. 8 89	‡0⅛	97	97½	29/12	12.94	13.3
Williams & Glyn 5⅛ 91	0⅛	97	97½	14/3	13.38	13.7
Bq. E. d'Alg. 4⅞ 89 SF	0⅛	95	96	18/12	4⅞	4.46

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Aktbolag 7¾ 89	1/80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Alco Int. Fin. 9¾ 94	1/80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asahi Optical 7 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon 6¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ciba-Geigy O/S F. 4 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse 4¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Daiei Inc. 9¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Esselte 7¼ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Honda Motor 5¾ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LPC Internatl. 8 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Maldende Elec. 7¾ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi Cp. 6¼ 94	10/79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Seiko 7¾ 94	12/79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nitto Elec. Ind. 6½ 94	10/79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toshiba Cpn. 7¾ 94	10/79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. 5 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu 5 84 DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kansai Elec. 4 94 DM	4/79	1350	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec. 3¾ 87 DM	4/79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Ld. Cp. 4 88 DM	4/79	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. 6½ 86 DM	11/79	1071	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Rising costs hit profits at leading Swiss watchmaker

BY JOHN WICKS IN ZURICH

THE LEADING company in the Swiss watch industry, Allgemeine Schweizerische Uhrenindustrie (Asuag), is to recommend the distribution for the financial year ended June 30 of a reduced dividend of SwFr 12 per share, down from the SwFr 16 rate paid for recent years.

Net profits of the Bienne-based parent company fell from SwFr 5.02m in 1977-78 to SwFr 4.8m ($2.9m) in 1978-79. Total earnings went up from SwFr 22.13m to SWFr 24.33m ($14.7m) over the year, but costs increased noticeably, particularly in the case of the depreciation of foreign assets to new exchange-rate levels.

In calendar 1978, group turnover rose by 2.3 per cent to SwFr 1.19bn ($724.2m). Sales fell in the first half of 1979 as a result of the decline in orders due to the currency situation in the second half of last year. However, both orders and turnover are appreciably higher in the second half of 1979, and turnover should be close to that for last year.

Herr Heinz Haemmerli (group vice-chairman) said that cash flow was well above SwFr 50m last year, which he described as "satisfactory but not good." Given operational depreciations of about the same sum, Herr Haemmerli said that operational results were about balanced or slightly negative. Investments were also at about the SwFr 50m level.

He added that results for calendar 1979 ought to be about the same as last year, with investments probably down slightly to about SwFr 40-45m. The dividend cut should have taken place a year or two ago, Herr Haemmerli said.

The Asuag group is active in the field of watch components and movements, finished watches and non-watch products. Its major operating subsidiaries are the Ebauches group of watch component manufacturers and the General Watch Company, whose best-known brands are Longines, Certina and Eterna.

The group has been concentrating its investments on electronics and the non-watch sector; electronic items now account for 34.2 per cent of group turnover, while in the medium term non-watch products are expected to grow to some 20 per cent of sales by value.

Review of bank equity ratios

BY OUR ZURICH CORRESPONDENT

THE SWISS Government will probably determine new equity ratios for banks next year, according to Dr. Hermann Bodenmann, president of the country's Federal Banking Commission, in an interview with the Basle daily Basler Zeitung.

A review of the existing ratios will be necessary in connection with the presentation of consolidated bank balance sheets, he said, and the development of individual sectors of activity will also have to be taken into account.

Dr. Bodenmann, who stressed that any increase in the capital resources of a bank reduced the loss risk of the bank's lenders, said in the interview that existing equity ratios in Switzerland were probably "among the top third" in an international comparison.

However, he pointed to the success of Switzerland's big banks as proof that the ratio requirements are not as great a burden as has been claimed.

He added that above-average own-capital levels also acted as an attraction to clients in view of the heightened security that they offered.

Finance merger in New Zealand

BY DAI HAYWARD IN WELLINGTON

TWO GIANTS in the New Zealand agricultural and financial sectors, Challenge Corporation and Broadlands Dominion, are undertaking what will be the country's largest financial merger for many years. Millions of shares are involved in the deal, which will produce a strong, widely based financial company.

Challenge held only 5 per cent of Broadland shares at the beginning of last week. After the merger, Broadlands will continue to operate as a separate entity — in the Challenge group.

Broadlands has total assets of NZ$201.4m and shareholders' funds of NZ$22.2m.

Under the arrangement, which is welcomed by Broadlands directors, Broadlands will acquire the share capital of two Challenge financial companies, Challenge Finance and Challenge Securities. To do so, Broadlands will issue 12.5m shares. Challenge Corporation will then make an offer for Broadlands shares.

The offer will be one Challenge share plus NZ$1.41 cash for every four ordinary Broadlands shares. This values Broadlands shares at 91 cents.

Before the plan was released, Broadlands shares stood at 83 cents, having moved up from 50 cents a few months ago. Challenge Finance has assets of NZ$60m and shareholders' funds of almost NZ$8m.

As a result of the two companies joining forces, Challenge Corporation's issued capital will increased by 6m shares to NZ$36m, and shareholders' funds to NZ$150m.

As part of the reorganisation involved in the merger, the minority interest in Broadlands held by the Wells Fargo Bank will be bought by Challenge. A link with Wells Fargo will be retained, with Wells Fargo acting as an agency and in a correspondent role.

Joining the Challenge Group gives Broadlands many advantages. It has long been the only major New Zealand finance house without a direct link with a trading bank. Now it will have the backing of the successful Challenge rural banking arm — Wrightson NMA.

Adding the solidly based Challenge Finance and Challenge Securities subsidiaries to the Broadlands operations will strengthen it considerably. Challenge Securities, which is the merchant banking arm of the Challenge Group, has total assets of NZ$25m and shareholders' funds of NZ1.7m.

The Challenge Corporation also has better resources to dispose profitably of or exploit large urban land areas held by Broadlands.

* * *

THE NEW ZEALAND subsidiary of the giant Dutch Philips Electrical Group has made a bid for full control of the Auckland based Pye Electronics. Philips already has 64 per cent of Pye through its purchase of Pye of Cambridge UK.

Philips is offering NZ$1.55 for each Pye share which last Friday was quoted at $1.25. Recent sales were as low as NZ$1.10. The deal will cost Philips NZ$5.5m (U.S.$3.4m). Pye is a leading manufacturer in the consumer and industrial television and audio fields. For the first six months of this year it reported a profit of NZ$622,000.

* * *

DUNLOP NEW ZEALAND has reported a 35 per cent profit increase for the first six months of this year. This takes profits to NZ$638,000 for the half-year. The company records a 12 per cent increase in sales to NZ$32.8m, and stabilised costs by improving production techniques.

UMW issue to meet equity rule

BY WONG SULONG IN KUALA LUMPUR

UNITED MOTOR WORKS (UMW) the Malaysian heavy equipment group, has announced an issue of 8m shares to Bumiputras (Malays), in accordance with the Government policy of encouraging more Malay participation in the corporate sector.

The shares of 1 ringgit each are to be sold at 1.4 ringgit, and represent 17.85 per cent of the increased capital of 44.8m ringgit ($20m).

UMW's shares closed at 1.37 ringgit on the Kuala Lumpur Stock Exchange ahead of the announcement. Normally, companies offer a substantial discount on the market value when making special issues to Bumiputras. However, Mr. Antonio Salgado, general manager of Asiavest Merchant Bankers, which is advising UMW on the issue, said that the price was based on the revaluation of the company's assets as at June this year.

As a result of the revaluation, he said, the net asset backing of the group was now 1.6 ringgit a share, instead of the 1.3 ringgit at the end of 1978.

UMW's first-half profit this year was 5.26m ringgit (U.S.$2.4m) and showed a substantial improvement over the comparable period [illegible] year. The company is expec[illegible] to do well during the second half because of strong demand for its products by the logging industry. It promises to pay a 5 per cent dividend on the enlarged capital.

Advance at Whitehead Textiles

By Tony Hawkins in Salisbury

DAVID WHITEHEAD Textiles, Zimbabwe Rhodesia's largest textile group, has announced a 54 per cent rise in trading profits for the year to September 30, with pre-tax earnings totalling Rh$6m on a record turnover of Rh$28m.

The total dividend has been raised to 8 cents a share, covered nearly two-and-a-half times by earnings. David Whitehead is 65 per cent owned in Zimbabwe Rhodesia by the Lonrho group, while the state-controlled Industrial Development Corporation holds about 9 per cent of the equity in Whitehead. It manufactures a wide range of textile goods both for the domestic market and for export.

Japanese earnings ahead of forecasts

By Richard C. Hanson in Tokyo

A SURVEY of the business results issued so far for the half-year to September 30 shows company earnings running above the earlier forecasts. Many companies have apparently benefited from the yen's depreciation, which has boosted exports, from strong increases in private capital spending, and from price increases in anticipation of higher costs resulting from oil price rises.

According to a Nihon Keizai survey of 306 companies listed on the first and second sections of the Stock Exchange, operating profits were up 20.3 per cent over the previous half-year, to March 31. The March half had been a record one for earnings, with a 24.4 per cent half-year rise.

The financial newspaper said that results in the current half year ending next March will continue to show gains, but that thereafter earnings will suffer from a downturn in the economy caused by a tightening of credit.

Uptrend at drug companies

By Yoko Shibata in Tokyo

EARNINGS OF Japan's top seven pharmaceutical companies remained on an upward trend in the first half of the current fiscal year. Variations in the rates of earnings growth, however, resulted from the differing emphasis placed on sales of high-margin products and the exploitation of new drugs.

Companies that put special stress on high-margin drugs which they have developed themselves enjoyed double-digit growth in operating profits. These included Takeda Chemical Industries (which produces Lilecillin), Fujisawa (Cefamezin), Daiichi Seiyaku (Pantosin), and Eizai (Nenquinon). Sankyo doubled its operating profits, helped by sales of the cancer drug, Krestin. The introduction of new drugs also contributed to an upsurge in earnings at Sankyo (Cefametazon) and Eizai (Methycobal).

Strong sales offset the Government's 5.7 per cent average price cut on drugs, which went into effect last February.

Takeda Chemical Industries reported a Y7bn special loss for the payment of SMON (subacute myelo-optico neuropathy) compensation in the first half of the fiscal year.

For the second half of the year, each company expects sluggish sales of drugs ahead of the next listing of prices of drugs in the spring, against the background of the increase in materials caused by the yen depreciation.

In addition, it is feared that the government's cut in drug prices will affect earnings in the current period.

For the full year ending next March, Takeda expects operating profits of Y45bn (up 10 per cent) and net profits of Y16bn (up 17 per cent), on sales of Y410bn (up 10 per cent). Sankyo expects operating profits of Y10.5bn (up 44.8 per cent) and net profits of Y4.2bn (up 35 per cent), on sales of Y153bn (up 16 per cent). Fujisawa expects operating profits of Y30bn (up 138 per cent) and net profits of Y13.5bn (up 12.6 per cent), on sales of Y138bn (up 9.1 per cent). Shionogi expects operating profits of Y16bn (down 2 per cent) and net profits of Y7.7bn (down 2.1 per cent), on sales of Y129bn (up 7.9 per cent). Eizai expects operating profits of Y14.5bn (up 18.9 per cent) and net profits of Y5.4bn (up 18.7 per cent), on sales of Y91.5bn (up 10.6 per cent). Daiichi Seiyaku expects operating profits of Y8.5bn (up 14.7 per cent) and net profits of Y3.1bn (up 12.5 per cent), on sales of Y66bn (up 10.1 per cent). Banyu Siyaku expects operating profits of Y7.1bn (up 4.9 per cent) and net profits of Y2.9bn (up 9.8 per cent), on sales of Y55bn (up 8.5 per cent).

Investment up at Isuzu

TOKYO—Isuzu Motors, the Japanese motor vehicle manufacturer, is to make capital investments of Y120bn ($500m) over the next two years, primarily to develop fuel-efficient small cars for exports.

Isuzu said that the amount was the largest the company has ever scheduled for capital spending. The company plans to invest Y60bn on research and development, Y30bn in the expansion of production facilities and another Y30bn to strengthen its marketing networks.

Other Japanese motor companies are reported to be planning heavy spending programmes—with Toyota Motor Company, Japan's largest, intending to invest a record Y150bn in the fiscal year ending next June, Nissan Motor Company Y110bn—in the year ending next March and Toyo Kogyo Company, the maker of Mazda cars, Y120bn over the two years beginning next April 1.

AP-DJ

First-quarter upsurge for Thomas Nationwide

BY JAMES FORTH IN SYDNEY

RESULTS AT Thomas Nationwide Transport (TNT) the international transport group have started the current year on an even better note than the record 1978-79 period, with a 91 per cent leap in profit for the first quarter to September 30. Mr. F. W. Millar, the chairman, told shareholders at the annual meeting in Sydney yesterday that unaudited earnings for the quarter jumped from A$5.5m to A$10.5m (U.S.$11.5m).

Group revenue for the quarter rose 43 per cent from A$136.5m to A$193.8m (U.S.$212m). The result follows a boost of 64 per cent in profit in 1978-79, from A$14.2m to A$23.4m.

Sir Peter Abeles, the chief executive of TNT said that he expected the growth rate to be maintained at least for the first half, and that the full year was again likely to bring a record.

Mr. Millar also unveiled other developments, including an unsecured note issue, an issue of stock options to shareholders and the introduction of quarterly dividend payments. He also raised some doubt about the recent agreement between the major shareholders of Ansett, under which the Western Australian businessman, Mr. Robert Holmes a Court would gain control of the Ansett group.

Mr. Millar said that TNT had arranged for an underwritten private placement of unsecured notes with a face value of A$20m with the right to take oversubscriptions up to A$5m. The 8.5 per cent six-year A$100 notes would be issued at A$86.28, to give a yield of almost 11.75 per cent, and would raise A$17.3m, or A$21.3m if full oversubscriptions were accepted. The notes will also carry options, at a price of one cent, on a one-for-ten basis.

TNT plans also to issue options to existing shareholders and noteholders on a one-for-ten basis, which would account for about 9m options, and will recommend that a further 4.4m options be issued on the same basis to shareholding companies associated with certain executive directors, including Mr. Millar and Sir Peter. The options are convertible to shares on October 31, 1984 at A$1.80 a share. If all the options were issued and exercised, TNT would obtain A$28.6m.

Thiess fights CSR bid

By Our Sydney Correspondent

THE DIRECTORS of Thiess Holdings, the Queensland coal group, again urged shareholders yesterday to reject the A$460m (around US$500m) takeover offer from CSR — the largest ever bid in Australia.

Last Friday, it pointed out, Thiess shares had been traded up to A$7.16, after the announcement, above the cash offer of A$6.74, while CSR's price had dropped to A$4.42, valuing its share and cash mix at A$6.87.

Yesterday, however, the CSR share price rose to A$4.50, valuing its share and cash bid at A$6.97, while the Thiess price weakened to A$7.0. The Thiess directors have said that an independent valuation places a value on Thiess shares of from A$9.19 to A$13.12.

THE JOBS COLUMN

Management, Sir Keith, must begin at home

BY MICHAEL DIXON

In Whitehall we've the triple Ds—ES, oI, and E;
We've Neddies big and little, ITBs and MSC,
Subcommittees, working parties, research bodies all advising.
But the UK's manpower problem is continuously rising.

APOLOGIES to those overseas readers who do not know what the above abbreviations signify. Suffice it to say that they denote some of the bureaucracies involved in the development and employment of the United Kingdom's workforce. Judged by their apparent effect, they do not have much meaning anyway—as the verse implies.

It came into my head during a meeting of the Recruitment Society, held the other night at the Financial Times offices. The speaker was Ken Fraser, industrial director of the major Neddy—the National Economic Development Office. The main problem he was concerned about was the decline in industrial employment caused, not by modernisation, but by curbs on companies' expansion. The particular curbs he mentioned were insufficient supplies of essential work skills, and obstacles to the more productive deployment of the skills available.

Mr. Fraser made clear that the frustrating deficiencies were not limited to skills of the shop-floor ... restricted also by managerial inadequacies: the few production engineers, lack of expertness in marketing, inability among managers to speak the languages of export customers or even of their own workforce.

Like the speaker, the audience generally seemed anxious to overcome the problem. Various skeins of it were unravelled during the unusually lively, subsequent discussion.

Apparent agreement was reached on various things that need to be done. Most of us departed disconsolate nonetheless. It was not Ken Fraser's fault, of course. But the plain message of the meting was that none of the versified bureaucracies was able to do the things needed, although there were suggestions that some of them might be done by other bodies not cited above.

Take for instance the bugbear discussed in this column on October 16 — the unnecessary restriction of supplies of work skills caused by official refusal even to consider for training any person who does not possess some arbitrarily determined bunch of academic certificates.

The National Computing Centre had demonstrated that people could become computer programmers without even the minimum stipulated "qualifications" of pass grades in four subjects in the major 16-plus examinations, I said. And I gathered that the Business Education Council, to its honour had responded by scrapping the discredited criterion. What was true of computer work, seemed likely to be true of other occupations where skills were frustratingly lacking. Shouldn't this possibility be rapidly examined, and any unnecessary barriers be cleared away?

Ken Fraser thought so too. He said the lead could best be taken by the Confederation of British Industry, which might bring pressure on its member companies to discard inappropriate criteria for recruitment.

The discussion moved on before I could ask: why the CBI? Surely a most ready way of giving momentum to the necessary purge of pedantic restrictions would be for the Civil Service to follow the lead of the Business Education Council. The service could stop limiting its intake of computer programmers to people with the still higher, and even less necessary "qualification" of pass grades in the 18-plus exams.

But I suppose that any such initiative by the Civil Service Commission would be resisted by my verse's "triple Ds"—the Departments of Education and Science, of Industry, and of Employment. They evidently all have a continuing, perhaps vested, interest in steadily raising the academic barriers to entry to almost any skilled work.

I suppose also that the three of them would be at least equally resistant to another initiative thought essential by the Recruitment Society meeting. It was that the triple Ds should get together with the bureaucracy in charge of housing, whose policies have a crucial effect on the effective, or otherwise, deployment of the workforce.

Personal experience supports this. My two eldest sons lately left the family home in jobless Lyme Regis, and swiftly found work in London. They have tackled it so keenly that I'd hardly know they were here were it not for the daily growth of the pile of Kentucky Fried Chicken boxes in my house at Greenwich. But if their father had not had that house for them to squat in, the pay that they can justify could not cover both London rent and a way of life nearly so acceptable as the dole would afford in Lyme.

Clearly, as Mr. Fraser declared, the UK needs housing policies that encourage rather than punish economic endeavour. So why don't we have them?

The reason, he felt, was that housing policy in Britain was seen as a *social*, not an economic concern. We seemed to have an "institutionalised cultural blockage" about such matters.

But even if we freed ourselves of the cultural block and linked housing in with the triple Ds, I suspect that we would still suffer from territorial restrictions. The bureaucracies seem no more willing to sink their separate ambitions in combined endeavour than were Tweedledum and Tweedledee.

Take for another example my verse's MSC—the Manpower Services Commission which is supposed to be directed by a partnership of Government, the Confederation of British Industry, and the Trades Union Congress.

Gate shut

Some time ago the MSC suggested that the many teenage schoolchildren who seem indifferent to the standard educational "failure's" diet of watered-down academic studies, might be the better for being offered alternative courses providing a broad preparation for work. *The commission* drew up proposals for such "Gateway" courses and started trying to have them adopted in schools.

But the Department of Education and Science was not having its territory invaded. Nor was the notion much liked by the big teachers' unions. So—and I have this on good authority—the education department informally enlisted the unions in harnessing the TUC component of the Manpower Services Commission to help to block the Gateway scheme. Hence the only way to inject an effective element of preparation for work into the UK's schools is to trudge round individually approaching head teachers, and hope that they may prove co-operative—which most of them don't seem to do.

Further evidence of the bureaucracies' inability to work in concert is provided by the virtual disappearance from the jargon of the word JASP, which was governmentally trendy only four years ago. It stood for a Joint Approach to Social Policy being taken by the various Departments concerned. All that seemed to result from it was a *single*, *nebulous* discussion paper whose title nobody I know can remember.

So how even politicians such as the Industry Secretary Sir Keith Joseph have the gall to blame our economic ills on management, unions and "past Governments," astounds me. The seat of the malaise which he said "will turn entire sectors into industrial fossils" surely lies in permanent government.

The UK desperately needs a Joint Approach to Policy on Employment—a JAPE as distinct from the present joke, which grows more unfunny *every day. But it will never* be a successfully practical JAPE unless Sir Keith and his fellow Ministers set an example, and start firmly managing the Departments for which they are supposed to be responsible.

CURRENCIES, MONEY and GOLD

Sterling firm

THE UNDERLYING weakness in the UK economy, which could be highlighted by economic indicators due later this week, seemed to be quietly forgotten in currency markets yesterday, and sterling touched a three-week high on its trade weighted index at 68.0, sharply firmer than Friday's rate of 67.3.

Overwhelming resignation within the market of an imminent rise in MLR and the probability of higher oil prices after next month's OPEC meeting pushed sterling firmer. Trading was somewhat restricted by the closure of some U.S. centres for a public holiday. The pound opened at $2.0985 and rose to $2.1055 before coming back to $2.0980. Later in the afternoon, however, it rebounded to a best level of $2.1115 before finishing at $2.1100-2.1110, a rise of 1.85c from Friday.

The dollar finished in the middle of its day's range, which was generally firmer than Friday's closing levels. Although the market remained nervous over the Iranian situation, basic sentiment appeared to be favourable. In terms of the D-mark it rose to DM 1.7980 from DM 1.7945 and to SwFr 1.6655 from SwFr 1.6530 against the Swiss franc. The U.S. unit was also firmer against the Japanese yen, rising to Y247.25 from Y243.50 previously. On Bank of England figures, its trade weighted index rose from 87.3 to 87.7.

FRANKFURT—The dollar was firmer at the fixing yesterday at DM 1.8000 compared with DM 1.7950 on Friday and the Bundesbank did not appear to intervene. The U.S. unit was firmer on interest rate differentials between the U.S. and Europe, although dealers remained uneasy of the effects of any possible development within Iran. Elsewhere the Swiss franc came under pressure as operators switched into D-marks, reflecting the higher interest rates offered in West Germany. The franc was fixed lower at DM 1.0779, compared with DM 1.0877.

PARIS—The French franc was slightly firmer at yesterday's fixing against the D-mark, with the latter quoted at Fr 2.3435 down from Friday's level of Fr 2.3437, and the Dutch guilder was also weaker at Fr 2.1091 from Fr 2.1100. On the other hand the franc eased against the lira and the Italian unit was fixed at Fr 5.0680 per 1,000 lira, compared with Fr 5.0660 previously. Sterling showed the sharpest increase against the franc to Fr 8.8555 from Fr 8.7855, while the dollar made appreciable gains to Fr 4.2175 from Fr 4.2060. Within the EMS, the franc remained the second most improved currency behind the Italian lira. Sentiment may have improved to a certain extent by further rises in French interest rates, with call money reaching a five-year high.

TOKYO—The dollar rose to its highest level since November, 1977, against the yen yesterday, and closed at Y247.25, sharply firmer than Friday's level of Y242.10. Attempts by the Bank of Japan to arrest the decline in the value of its currency involved around $150m, but appeared to have little or no effect. Demand for the U.S. unit was strong, with further speculation pointing towards higher oil prices, helping to undermine the yen. The dollar touched a best level for the day early on at Y247.70, but eased back slightly during the afternoon on news of improved export figures for Japan during October.

THE DOLLAR SPOT AND FORWARD

Nov. 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0970-2.1120	2.1100-2.1110	0.07c pm-0.03 dis	0.11	0.30-0.20 pm	0.47
Ireland†	2.0560-2.0630	2.0570-2.0600	0.50-0.30c pm	2.33	1.30-1.10 pm	2.33
Canada	1.1880-1.1883	1.1880-1.1883	0.07-0.04c pm	0.55	0.35-0.31 pm	1.11
Nethlnd.	1.9950-1.9980	1.9970-1.9980	0.93-0.83c pm	5.29	2.52-2.42 pm	4.95
Belgium	29.07-29.12½	29.07-29.08½	4.7-3.7c pm	1.73	9.7 pm	1.10
Denmark	5.3025-5.3185	5.3040-5.3055	1.25-1.75ore dis	-3.39	3.75-4.25dis	-3.02
W. Ger.	1.7930-1.8020	1.7975-1.7985	1.05-0.95pf pm	6.67	2.85-2.75	6.23
Portugal	50.47-50.65	50.50-50.60	15-25c dis	-4.74	35-70 dis	-4.15
Spain	66.68-66.76	66.68-66.72	35-50c dis	-7.85	125-145 dis	-8.09
Italy	830.75-832.20	831.80-832.20	0.20-0.50lira dis	-0.50	2.5-3.0 dis	-1.32
Norway	5.0590-5.0680	5.0640-5.0650	1.50-0.75ore pm	2.66	3.25-2.50 pm	2.27
France	4.2035-4.2175	4.2135-4.2150	0.63-0.53c pm	1.66	1.10-0.90 pm	0.95
Sweden	4.2630-4.2700	4.2690-4.2700	1.50-1.30ore pm	3.93	3.50-3.30 pm	3.18
Japan	246.70-247.90	247.20-247.30	1.55-1.40y pm	7.15	4.45-4.30 pm	7.08
Austria	12.90½-12.94	12.90¾-12.91¼	8.25-7.75gro pm	7.43	22.0-20.5 pm	6.58
Switz.	1.6485-1.6720	1.6650-1.6660	1.76-1.71c pm	12.50	4.70-4.65 pm	11.23

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Nov. 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0970-2.1120	2.1100-2.1110	0.07c pm-0.03 dis	0.11	0.30-0.20 pm	0.47
Canada	2.4010-2.5085	2.5075-2.5085	0.25-0.15c pm	0.96	1.05-0.95 pm	1.59
Nethlnd.	4.17½-4.22½	4.21¼-4.22¼	2¼-1¼c pm	4.98	6¾-4¾ pm	6.10
Belgium	60.80-61.45	61.30-61.40	10c pm-par	0.98	28-18 pm	1.50
Denmark	11.12½-11.20½	11.19¼-11.20¼	2¼-4½ore dis	-3.75	6¼-8¼ dis	-2.59
Ireland	1.0185-1.0256	1.0240-1.0250	0.23-0.33p dis	-3.28	0.65-0.75dis	-2.73
W. Ger.	3.76-3.81	3.79¼-3.80¼	2½-1½pf pm	6.71	6¾-5¾ pm	6.71
Portugal	105.60-107.00	106.65-106.95	45-95c dis	-7.28	100-200 dis	-5.62
Spain	139.60-140.80	140.70-140.80	80-130c dis	-2.95	220-320 dis	-7.67
Italy	1739-1756	1755-1756	¼ lire pm-1¾ dis	-0.61	3¼-5¼ dis	-0.96
Norway	10.58-10.70	10.68¼-10.69¼	3½-1½ore pm	3.09	8¼-6¼ pm	2.71
France	8.81½-8.90½	8.89-8.90	1¼-¾c pm	1.69	3¼-2¾ pm	1.46
Sweden	8.81-9.01½	9.00¼-9.01¼	3½-1½ore pm	3.66	8½-6½ pm	3.33
Japan	515-525	521¼-522¼	3.05-2.90y pm	6.84	10.05-9.65 pm	7.55
Austria	27.00-27.40	27.32-27.37	17-7gro pm	5.27	50-40 pm	6.58
Switz.	3.46-3.52½	3.51¼-3.52¼	4-3c pm	11.94	10¾-9¾ pm	11.51

Belgian rate is for convertible francs. Financial franc 62.55-62.65. Six-month forward dollar 0.87-0.82c pm. 12-month 2.20-2.10c pm.

CURRENCY RATES

Nov. 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.614588	0.66080
U.S. $	12	1.28879	1.38471
Canadian $	14	1.52212	1.641021
Austria Sch.	5¾	16.5045	17.8145
Belgian F.	10	37.3620	40.1185
Danish K.	11	6.85806	7.35205
D Mark	6	2.30977	2.47904
Guilder	8½	2.56698	2.75565
French Fr.	9½	5.42001	5.81855
Lira	18	1069.06	1148.34
Yen	6¼	300.825	354.802
Norwgn. Kr.	7	6.48906	6.06647
Spanish Pts.	8	85.8618	92.2908
Swedish Kr.	8	5.46024	5.87947
Swiss Fr.	2	2.11810	2.27092

CURRENCY MOVEMENTS

Nov. 12	Bank of England Index	Morgan Guaranty changes %
Sterling	68.0	Unavail.
U.S. dollar	87.7	..
Canadian dollar	80.2	..
Austrian schilling	155.7	..
Belgian franc	115.0	..
Danish kroner	114.2	..
Deutsche mark	156.5	..
Swiss franc	198.4	..
Guilder	124.5	..
French franc	101.1	..
Lira	54.6	..
Yen	116.7	..

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

Nov. 12	£	$		Note Rates
Argentina Peso	5228-5245	1530-1540	Austria	27.00-27.30
Australia Dollar	1.8535-1.8575	0.0170-0.0175	Belgium	62.00-62.80
Brazil Cruzeiro	64.64-65.24	30.75-31.05	Denmark	11.14-11.22
Finland Markka	8.0425-8.0525	3.8185-3.8005	France	8.83-8.00
Greek Drachma	78.114-79.996	37.40-37.50	Germany	3.77-3.80
Hong Kong Dollar	10.57½-10.50½	5.0190-5.0210	Italy	17.45-18.00
Iran Rial	148.35-155.00	70.50-75.40	Japan	5.19-6.04
Kuwait Dinar (KD)	0.585-0.506	0.2802-0.2803	Netherlands	4.18-4.21
Luxembourg Frc.	61.30-61.40	29.07-29.09	Norway	10.61-10.69
Malaysia Dollar	4.6270-4.6580	2.1075-2.1086	Portugal	104-110
New Zealand Dlr.	2.1860-2.1030	1.0370-1.0385	Spain	138½-147
Saudi Arab. Riyal	7.04-7.14	3.3725-3.3750	Switzerland	3.40-3.52
Singapore Dollar	4.6075-4.6186	2.1880-2.1885	United States	2.09-2.10
Sth. African Rand	1.7440-1.7470	0.8200-0.8205	Yugoslavia	44½-47

Rate given for Argentina is free rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	39.8456	40.1749	+0.83	+0.83	±1.53
Danish Krone	7.36594	7.34084	-0.34	-0.34	±1.635
German D-Mark	2.48557	2.48287	-0.11	-0.11	±1.125
French Franc	5.85522	5.81803	-0.64	-0.64	±1.3675
Dutch Guilder	2.74748	2.75791	+0.38	+0.38	±1.515
Irish Punt	0.669141	0.670648	+0.21	+0.21	±1.665
Italian Lira	1159.42	1148.21	-0.98	-0.98	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Nov. 10	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.111	3.798	521.8	8.895	3.518	4.218	1756.	2.508	61.35
U.S. Dollar	0.474	1.	1.799	247.2	4.215	1.667	1.998	831.8	1.188	29.07
Deutschemark	0.263	0.556	1.	137.4	2.342	0.926	1.111	462.5	0.660	16.16
Japanese Yen 1,000	1.917	4.046	7.278	1000.	17.05	6.742	8.085	3366.	4.807	117.6
French Franc 10	1.124	2.373	4.268	586.6	10.	3.954	4.741	1974.	2.820	68.97
Swiss Franc	0.284	0.600	1.080	148.3	2.529	1.	1.199	499.1	0.713	17.44
Dutch Guilder	0.237	0.500	0.900	123.7	2.109	0.834	1.	416.8	0.595	14.55
Italian Lira 1,000	0.570	1.202	2.163	297.2	5.067	2.004	2.402	1000.	1.429	34.95
Canadian Dollar	0.399	0.840	1.514	208.0	3.547	1.403	1.682	700.0	1.	24.46
Belgian Franc 100	1.630	3.440	6.190	850.4	14.50	5.735	6.874	2861.	4.088	100.

EURO-CURRENCY INTEREST RATES

The following nominal rates were quoted for London dollar certificates of deposit: one-month 14.40-14.50 per cent; three months 14.95-15.05 per cent; six months 14.50-14.60 per cent; one year 13.65-13.75 per cent.

Nov. 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
Short term	—	12¾-13¼	11-12	8⅝-9⅛	1-1½	8-8½	11-12	11-12	—	4-6½
7 days' notice	14½-14¾	13⅞-15⅛	11-12	9⅛-9⅝	1¾-1⅞	8¼-8⅜	12¼-12½	12¼-14¼	15¾-16	6½-7½
Month	16⅛-16⅜	15¼-15⅝	13⅝-13⅞	9⅞-10⅛	3¾-4⅛	8⅝-8⅞	12⅞-13⅛	15-16	15⅜-15⅝	7⅝-8⅛
Three months	16⅞-16⅜	15⅝-16⅛	14¼-14¼	10⅛-10⅜	5¼-5⅝	8⅞-9⅛	15-16¼	15¼-16½	15¾-15½	7¾-8⅛
Six months	16⅜-16⅛	14¾-15⅛	13¾-14	10¼-10⅝	4¾-4⅞	8¾-8⅞	14-14¼	16-17	15⅛-15⅜	7⅞-8
One year	15¾-16	13¼-15⅛	13½-15⅛	10⅛-10¼	4¼-4¾	8⅝-8⅞	14-14½	15½-16½	14¼-14⅛	7¾

Long-term Eurodollar two years 12⅞-13⅛ per cent; three years 12⅜-12⅝ per cent; four years 12⅜-12⅝ per cent; five years 12-12⅛ per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two-day call for guilders and Swiss francs. Asian rates are closing rates in Singapore.

INTERNATIONAL MONEY MARKET

Paris call at 12¼%

European short-term interest rates showed little change yesterday, apart from the further rise in Paris call money. The continued shortage of liquidity in the French money market pushed day-to-day funds to 12¼ per cent—from 12⅛ per cent on Friday—the highest level for five years. Period rates in Paris were unchanged, with one-month at 12½-12⅝ per cent; and three, six and 12-month at 13-13¼ per cent.

The increase in call money followed the rise in the yield on 12-month Treasury bills last Friday, and the general need to protect the French franc in the face of rising world interest rates.

Several banks raised prime lending rates to 11½ per cent from 11⅛ per cent, in response to the upward trend in interest rates. This was the seventh increase since last June, but rates remained below the record of 12.40 per cent touched in June, 1974, during the first oil crisis.

Call money reached an all-time high of 15 per cent in January, 1974.

FRANKFURT — Short-term rates were unchanged, with call funds at 7.80-8.00 per cent; one-month 8.20-8.45 per cent; three-month 9.60-9.80 per cent; six-month 9.30-9.50 per cent; and 12-month 8.90-9.10 per cent.

BRUSSELS — Deposit rates for the Belgian franc (commercial) were mixed, with one-month easing to 13¾-14 per cent from 14-14½ per cent. Three-month was quoted at 14¼-14½ per cent compared with 14⅛-14½ per cent. Six-month rose to 14-14½ per cent from 13¾-14⅛ per cent, while 12-month was 13-13½ per cent, compared with 13-13½ per cent.

AMSTERDAM — Call money was 9½-9¾ per cent compared with 9¾-9⅞ per cent. One-month fell to 9¾-10 per cent from 10-10½ per cent, while three-month was unchanged at 10¾-11 per cent. Six-month rose to 10½-10¾ per cent from 10¼-10½ per cent.

SINGAPORE — Overseas Union Bank, one of the big four Singapore banks, raised its prime rate by ½ per cent to 9½ per cent. Algemene Bank Nederland; Bank of America; First National Bank of Chicago; and Lloyds Bank International all increased their prime rates by ½ per cent to 9½ per cent, while Bank of East Asia and Bank of Tokyo raised rates by ¼ per cent to 9½ per cent. Credit Suisse and United Malayan Banking Corporation increased rates by ¾ per cent to 9½ per cent. Far Eastern Bank moved up its prime rate by ½ per cent to 9 per cent, as did International Bank of Singapore; while Bank of China raised its rate by ¾ per cent to 9 per cent.

HONG KONG — The money market was easy with call money at 8½ per cent and overnight at 6 per cent.

GOLD

Firmer tendency

Gold rose $3 an ounce in the London bullion market yesterday to finish at $393-394. Trading was fairly quiet throughout the day, and after an opening level of $392-394, the metal was fixed during the morning at $393.00 and at $393.25 during the afternoon.

In Paris the 12½ kilo bar was fixed at Fr 54,500 per kilo ($401.92 per ounce) compared with Fr 54,485 ($403.20) in the morning and Fr 54,000 ($399.32) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 22,715 per kilo ($392.98 per ounce) against DM 22,490 ($389.75) previously.

	November 12	November 9
Gold Bullion (fine ounce)		
Close	$393-394 (£186.1-186.6)	$390-391 (£186½-187¼)
Opening	$392-394 (£185¾-187¼)	$391-392 (£187-188)
Morning fixing	$393.00 (£186.594)	$389.70 (£186.087)
Afternoon fixing	$393.25 (£186.950)	$389.50 (£186.250)
Gold Coins		
Krugerrand	$404½-405½ (£191½-193¼)	$403-404 (£192¼-193¼)
Maple leaf	$406-410	$406-410
New Sovereigns	$101-102 (£47¾-48¼)	$100¼-101¼ (£48-48½)
King Sov.	$110-118	$109-111 (£52-53)
Victoria Sov.	$111-116 (£52¾-54¾)	$110-112 (£50¼-53¼)
Fr 20 Napoleon	$96-105 (£¥8½-150-165)	$96-105 ($Fr152½-161½)
50 pesos Mexico	$480-485	$482-485
100 Cor. Austria	$383-388	$378-381
$20 Eagles	$500-507	$500-503
$10 Eagles	$260-275	$257-272
$5 Eagles	$240-245	$232-242

UK MONEY MARKET

Large help

Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

Short-term fixed period interest rates rose sharply in nervous trading in the London money market yesterday — in anticipation of a possible rise in Bank of England Minimum Lending Rate — but eased towards the close. The late decline reflected the improvement in liquidity as discount houses took the opportunity of selling bills to the authorities.

There was an overall shortage of day-to-day funds, and the Bank of England gave large assistance by buying a large amount of Treasury bills and a small number of local authority bills from the houses.

The market was helped by a small decrease in the note circulation, but this was outweighed by a net take-up of Treasury bills, repayment of Friday's small lending, a small excess of revenue payments to the Exchequer over Government disbursements, and small run-down bank balances.

Discount houses paid up to 13½ per cent for secured call loans, but closing balances were found at 9-11½ per cent. In the interbank market overnight loans touched 13½-14 per cent, before closing at 6-8 per cent.

LONDON MONEY RATES

Nov. 12 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Discount Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	6-14	—	—	—	13¾	9½-15½	—	—	—
2 days notice	—	—	13¾-14⅛	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13⅞-14⅛	14⅛-14⅜	—	—	13⅞	—	—	—	—
One month	15⅛-15¼	15¼-15⅜	14⅞-15⅛	17¼-16¼	15⅝	15½	14½-15	14⅞-14⅞	15⅝-15⅞	16⅛
Two months	15⅝-15½	15⅝-15⅝	—	16½-16⅛	16⅛	—	14⅞-15	15-15¼	15⅝-15⅞	16⅛
Three months	15⅝-15⅜	15⅜-15⅝	14⅞-15⅛	16⅛-15⅝	16⅛	15¾	15-15⅛	14⅞-15	15⅝-15⅝	16⅛
Six months	15½-15¼	15⅝-16	14⅜-15⅛	15⅝-15⅜	16	—	—	—	—	—
Nine months	14⅞-14⅝	15¼-15⅝	—	14⅝-15⅛	—	—	—	—	—	—
One year	14⅛-14⅛	14⅝-14⅞	14⅛-14½	14¼-14⅝	15¼	—	—	—	—	—
Two years	—	—	14⅛-14½	—	—	—	—	—	—	—

Local authority and finance houses seven days notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 13¼-13½ per cent; four years 13¼-13½ per cent; five years 13¼-13½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15⅛-15⅜ per cent; four-month trade bills 16⅛ per cent.

Approximate selling rates for one-month Treasury bills 14⅛-14⅞ per cent; two-months 14⅛-14⅞ per cent; three-months 14⅞ per cent. Approximate selling rate for one-month bank bills 15⅛-15⅜ per cent; two-months 15⅛ per cent; three-months 15⅛-15⅜ per cent; one-month trade bills 16⅛ per cent; two-months 16⅛ per cent and three-months 16⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14½ per cent from November 1, 1979. Clearing Bank Deposit Rates for sums at seven days notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 14.7581 per cent.

MONEY RATES

NEW YORK	
Prime Rate	15¼-15½
Fed Funds	—
Treasury Bills (13-week)	11.90
Treasury Bills (26-week)	11.97
GERMANY	
Discount Rate	6
Overnight Rate	7.90
One month	8.25
Three months	9.70
Six months	9.40
FRANCE	
Discount Rate	9.5
Overnight Rate	12.25
One month	12.4375
Three months	10.0625
Six months	13.0625
JAPAN	
Discount Rate	6.25
Call (Unconditional)	7.5
Bills Discount (three-month)	8.125

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on November 12, 1979. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Exchange in the UK and most of the countries listed is officially controlled and the rates shown should not be taken as being applicable to any particular transaction without reference to an authorised dealer.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rate; (cm) commercial rate; (cn) convertible rate; (fn) financial rate; (axC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	95.0
Albania	Lek	10.188
Algeria	Dinar	8.1011
Andorra	French Franc / Spanish Peseta	8.885 / 140.75
Angola	Kwanza	66.191
Antigua (S)	E. Caribbean $	5.70
Argentina	Ar. Peso Free Rate	3.238
Australia (S)	Australian $	1.9855
Austria	Schilling	27.545
Azores	Portug. Escudo	106.80
Bahamas (S)	Ba. Dollar	2.1106
Bahrain (S)	Dinar	0.795
Balearic Isles	Spa. Peseta	140.75
Bangladesh (S)	Taka	34.62 (sg)
Barbados (S)	Barbados $††	4.221
Belgium	B. Franc	(cm) 61.35 / (fn) 62.60
Belize	B $	4.221
Benin	C.F.A. Franc	444¾
Bermuda (S)	Bda $	2.1105
Bhutan	Indian Rupee	17.274 (sg)
Bolivia	Bolivian Peso	42.21
Botswana (S)	Pula	1.7478
Brazil	Cruzeiro ‡‡	55.44
Brit. Virgin Isles (S)	U.S. $	2.1105
Brunei (S)	Brunei $	4.6135
Bulgaria	Lev	1.8145
Burma	Kyat	14.1075
Burundi	Burundi Franc	187.02
Cameroon Republic	C.F.A. Franc	444¾
Canada	Canadian $	2.5080
Canary Islands	Spanish Peseta	140.75
Cape Verde Isle	Cape V. Escudo	77.054
Cayman Islands (S)	Cay. Is. $	1.7587
Cent. Af. Repub.	C.F.A. Franc	444¾
Chad	C.F.A. Franc	444¾
Chile	C. Peso	(Bk) 82.10
China	Renminbi Yuan	3.206
Colombia	C. Peso	(F) 91.08
Comoro Islands	C.F.A. Franc	444¾
Congo (Brazzaville)	C.F.A. Franc	444¾
Costa Rica	Colon	18.1503
Cuba	Cuban Peso	1.6215
Cyprus (S)	Cyprus £	0.745
Czechoslovakia	Koruna	(com) 11.50 / n/c 23.48 / (T) 10.25
Denmark	Danish Krone	11.1075
Djibouti	Fr.	368.00
Dominica (S)	E. Caribbean $	5.70
Dominican Repub	Dominican Peso	2.1105
Ecuador	Sucre	(D) 52.36 / (F) 56.04
Egypt	Egyptian £	(U) 1.450
Equatorial Guinea	Peseta	140.75
Ethiopia	Ethiopian Birr	(P) 4.3757
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	11.1076
Fiji Islands	Fiji $	1.81
Finland	Markka	8.05
France	French Franc	8.806
French C'ty in Af.	C.F.A. Franc	444¾
French Guiana	Local Franc	8.805
French Pacific Is.	C.F.P. Franc	161.75
Gabon	C.F.A. Franc	444¾
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	3.7075
Germany (West)	Deutsche Mark	3.7075
Ghana (S)	Cedi	5.74 (sg)
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	78.055
Greenland	Danish Kroner	11.1975
Grenada (S)	E. Caribbean $	5.70
Guadaloupe	Local Franc	8.895
Guam	U.S. $	2.1105
Guatemala	Quetzal	2.1106
Guinea Republic	Sily	40.375
Guinea Bissau		71.962
Guyana (S)	Guyanese $	6.3818
Haiti	Gourd	10.665
Honduras Repub.	Lempira	4.23
Hong Kong (S)	H.K. $	10.5825
Hungary	Forint	(com) 77.30 / (T/nc) 44.17
Iceland (S)	I. Krona	830.00
India (S)	Ind. Rupee	17.274 (sg)
Indonesia	Rupiah	1,318
Iran	Rial	151.47
Iraq	Iraq Dinar	0.6120
Irish Republic (k)	Irish £	1.0045
Israel	Israel £	66.00
Italy	Lira	1755.6
Ivory Coast	C.F.A. Franc	444¾
Jamaica (S)	Jamaica Dollar	3.7641
Japan	Yen	521.75
Jordan (S)	Jordan Dinar	0.629
Kampuchea	Riel	2632.6
Kenya (S)	Kenya Shilling	15.675
Kiribati	Australian $	1.8355
Korea (Nth)	Won	1.972 (I)
Korea (Sth)	Won	1013.16
Kuwait (Sth)	Kuwait Dinar	0.590
Laos	Kip Pot Po	844.2
Lebanon	Lebanese £	7.1092
Lesotho	S. African Rand	1.7458
Liberia	Liberian $	2.1105
Libya	Libyan Dinar	0.6248
Liechtenstein	Swiss Franc	3.5175
Luxembourg	Lux Franc	61.35
Macao	Pataca	11.21
Madeira	Portug'se Escudo	106.80
Malagasy Republic	MG Franc	444¾
Malawi (S)	Kwacha	1.700
Malaysia (S)	Ringgit	4.6550
Maldive Islands (S)	Mal Rupee	8.2943
Mali Republic	Mali Franc	8.805
Malta (S)	Maltese £	0.7480
Martinique	Local Franc	8.895
Mauritania	Ouguiya	88.509
Mauritius (S)	M. Rupee	16.3651
Mexico	Mexican Peso	48.15
Miquelon	C.F.A. Franc	444¾
Monaco	French Franc	8.805
Mongolia	Tugrik	(D) 7.0406 (I)
Montserrat	E. Caribbean $	5.70
Morocco	Dirham	8.06
Mozambique	Moz. Escudo	66.096
Nauru	Australian Dollar	1.0355
Nepal	Nepalese Rupee	25.325
Netherlands	Guilder	4.2175
Netherland Antilles	Antillian Guilder	3.7778
New Hebrides	Franc. / Aust. Dollar	143.76 / 1.0355
New Zealand (S)	N. Z. Dollar	2.1800
Nicaragua	Cordoba	21.05
Niger Republic	C. F. A. Franc	444¾
Nigeria (S)	Naira	1.2301 (sg)
Norway	Norway Krone	10.6276
Oman Sultanate of (S)	Rial Omani	0.727
Pakistan	Pakistan Rupee	20.78
Panama	Balboa	2.1105
Papua N. Guinea (S)	Kina	1.5550
Paraguay	Guarani	262.70
Peoples D. Repub. of Yemen (S)	S. Yemen Dinar	(A) 0.7207
Peru	Sol	exc (A) 506.50
Philippines	Philippine Peso	13.51
Pitcairn Islands (S)	£ Sterling / New Zealand $	— / 2.1600
Poland	Zloty	(Cm) 66.00 / (T) 66.00
Portugal	Portugu'se Escudo	106.80
Port Timor	Timor Escudo	106.80
Puerto Rico	U.S. $	2.1106
Qatar (S)	Qatar Ryal	7.38
Reunion Ile de la	French Franc	8.895
Rhodesia	Rhodesian $	1.4656
Romania	Leu	(Cm) 9.27 / (o/c) T26.77
Rwanda	Rwanda Franc	199.48
St. Christopher (S)	E. Caribbean $	5.70
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	5.70
St. Pierre	C.F.A. Franc	444¾
St. Vincent (S)	E. Caribbean $	5.70
Salvador El	Colon	5.260
Samoa American	U.S. $	2.1105
San Marino	Italian Lira	1765.5
Sao To'o & Principe	Dobra	72.88
Saudi Arabia	Ryal	7.02
Senegal	C.F.A. Franc	444¾
Seychelles	S. Rupee	13.33
Sierra Leone (S)	Leone	2.2030
Singapore (S)	Singapore $	4.6136
Solomon Islands (S)	Solomon Is. $	1.8485
Somali Republic	Somali Shilling	(A) 12.7136
South Africa (S)	Rand	1.7455
South West African Territories (S)	S. A. Rand	1.7465
Spain	Peseta	140.75
Spanish ports in North Africa	Peseta	140.75
Sri Lanka (S)	S. L. Rupee	32.76
Sudan Republic	Sudan £ Φ	n.a.
Surinam	S. Guilder	3.7776
Swaziland (S)	Lilangeni	1.7455
Sweden	S. Krona	9.0075
Switzerland	Swiss Franc	3.5175
Syria	Syria £	(A) 8.2862
Taiwan	New Taiwan	(P) 75.075
Tanzania (S)	Tan. Shilling	17.48
Thailand	Baht	42.86
Togo Republic	C.F.A. Franc	434¼
Tonga Islands (S)	Pa'anga	1.8265
Trinidad (S)	Trinidad & Tob' $	5.0650
Tunisia	Tunisian Dinar	0.841 (08)
Turkey	Turkish Lira	106.03
Turks & Caicos	U.S. $	2.1105
Tuvalu	Australian $	1.8055
Uganda (S)	Uganda Shilling	16.75
United States	U.S. Dollar	2.1105
Uruguay	Uruguay Peso	(cm) 17.49 / (fn) 17.47
Utd. Arab Emirates	U.A.E. Dirham	7.02
U.S.S.R.	Rouble	1.3805
Upper Volta	C.F.A. Franc	444¾
Vatican	Italian Lira	1755.5
Venezuela	Bolivar	9.04
Vietnam	Dong	(D) 4.50 / (T) 4.22 (I)
Virgin Islands U.S.	U.S. Dollar	2.1105
Western Samoa (S)	Samoan Tala	1.950
Yemen	Ryal	0.52 (sg)
Yugoslavia	New Y Dinar	38.7601
Zaire Republic	Zaire	4.3380
Zambia	Kwacha	1.56

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. †Rupees per pound. ‡General rates of oil and iron exports 56.51. Based on gross rates against Russian roubles. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and are not members of IMF. (d) Based on gross rates against Russian roubles. Φ Incentive rate.

APPOINTMENTS

J. Maltby to be director—oil at Burmah

Mr. J. N. Maltby

MR. J. N. MALTBY [illegible] ing the Burmah Group in January 1980. He will take over as director—oil on the Board of the parent concern, BURMAH OIL COMPANY, when Mr. M. J. Roberts retires in June of that year. Mr. Maltby went to Shell in 1951 and held a number of senior positions overseas and at its head office in London. In 1969 he left Shell to become managing director of Panocean Limited, a newly formed chemical transport company jointly owned by Ocean Transport and Trading and the Peninsular and Oriental Steam Navigation Company. Panocean later merged with Tate and Lyle shipping interests, becoming Panocean-Anco, of which Mr. Maltby has been chief executive since 1976. Mr. Michael J. Cooper will become managing director of Panocean-Anco from January 1, 1980, in place of Mr. Maltby, who leaves that company at the end of this year.

★

Mr. Edmund Dell has become sole chairman and chief executive of GUINNESS PEAT GROUP following the retirement of Lord Kissin as joint chairman. Lord Kissin has been appointed the company's first president. Mr. G. Metcalf has retired from the Board.

★

Mr. C. W. Newton, managing director in charge of manufacturing operations of TURNER AND NEWALL, has been appointed group managing director.

★

Mr. R. C. Cumming and Mr. W. J. A. Dacombe, executive directors respectively of the Royal Bank of Scotland Limited and of Williams and Glyn's Bank, are to join the board of the ROYAL BANK OF SCOTLAND GROUP on January 21, 1980.

★

Dr. George D. Bartholomew has been appointed marketing director of SONICAID, of Bognor Regis.

★

Mr. R. A. Griffin, managing director, kitchen furniture division; Mr. D. A. Honeyben, managing director, appliance division; and Mr. C. Holt, managing director, industrial division; have been appointed to the board of BURCO DEAN. These appointments follow the recent announcement of the new chairman, Mr. S. Crookenden, and complete the re-organisation of the company.

★

Sir John Cuckney is to become vice-chairman of BROOKE BOND LIEBIG from January 1. Mr. M. S. K. Maunsell retires as vice-chairman at the end of next month.

★

Mr. Neville J. Moore has been appointed a director and senior non-marine underwriter, and Mr. Christopher Ballard, non-marine treaty underwriter, of PRESCOT UNDERWRITING & MANAGEMENT SERVICES, a subsidiary of Minet Holdings.

★

Mr. P. Geoffrey Barnard has been appointed director of underwriting of BELLEFONTE INSURANCE COMPANY UK branch.

★

Mr. Robert Hargreaves has been made an associate of SIR FREDERICK SNOW AND PARTNERS (NORTH WEST).

EUROPEAN OPTIONS EXCHANGE

Series		Jan. Vol.	Jan. Last	April Vol.	April Last	July Vol.	July Last	Stock
ABN C	F.540	5	4	—	—	—	—	F.337.50
AKZ C	F.25	—	—	10	3.30	—	—	F.26.50
AKZ C	F.27.50	55	1.20	50	2.10	16	2.60	,,
AKZ C	F.30	109	0.50	15	1	2	1.40	,,
AKZ P	F.27.50	36	1.10	—	—	—	—	
AKZ P	F.30	5	4	—	—	—	—	
ARB C	F.65	—	—	—	—	3	7	F.68.70
ARB C	F.70	1	1.80	—	—	—	—	
HO C	F.25	5	1.70	—	—	—	—	F.25
HO C	F.27.50	0	0.70	5	1.50	—	—	,,
HO C	F.30	1	0.10	—	—	—	—	,,
IBM C	$65	2	2¼	1	4⅛	—	—	$61⅞
KLM C	F.70	20	8.60	10	10.30	16	11	F.76.80
KLM C	F.80	73	2.70	6	4.70	15	6.50	,,
KLM C	F.90	23	0.80	52	2	64	2.70	,,
KLM C	F.100	6	0.30	—	—	—	—	,,
KLM C	F.110	5	0.10	—	—	—	—	,,
KLM P	F.70	141	1.80	15	3.30	0	4.20	,,
KLM P	F.80	140	4.50	13	5.90	16	8	,,
KLM P	F.90	4	15.50	—	—	—	—	,,
KLM P	F.120	2	43	—	—	—	—	,,
NN C	F.100	2	16.50	—	—	—	—	F.116.40
NN C	F.110	2	6.70	—	—	—	—	,,
NN C	F.115	5	3.60	5	7.30	—	—	,,
NN C	F.120	1	1.60	7	3.20	2	5	,,
NN C	F.135	—	—	1	2.50	—	—	,,
PET C	Fr.6000	2	100	1	200	—	—	Fr.6270
PHI C	F.20	50	2.30	24	2.80	12	5	F.21.80
PHI C	F.22.50	125	0.60	34	1.50	20	1.70	,,
PHI C	F.25	20	0.20	2	0.50	15	0.70	,,
PHI P	F.20	—	—	4	0.70	—	—	,,
PHI P	F.22.50	8	1.20	—	—	21	1.60	,,
RD C	F.135	6	13.20	—	—	—	—	F.144.70
RD C	F.140	11	9.50	1	12	—	—	,,
RD C	F.145	57	6.50	—	—	—	—	,,
RD C	F.150	134	3.50	24	8.80	1	8.10	,,
RD C	F.160	130	1.20	570	5.10	8	4.80	,,
RD P	F.135	122	0.50	—	—	—	—	,,
RD P	F.140	122	1.20	26	2.60	—	—	,,
RD P	F.145	244	2.70	10	4	—	—	,,
RD P	F.150	128	5.80	28	6	—	—	,,
RD P	F.160	50	14.70	16	14.60	—	—	,,
UNI C	F.155	2	0.20	—	—	—	—	F.116.80
		Nov.		Feb.		May		
BAZ C	$35	10	10	—	—	—	—	$44⅝
BAZ C	$40	16	4⅝	—	—	6	6⅛	,,
BAZ C	$45	1	⅝	—	—	—	—	,,
OXY C	$25	5	⅝	—	—	—	—	$24⅞
SLY C	$70	—	—	—	—	3	21⅛	$88¼
SLY C	$80	5	9	2	11½	5	13	,,
SLY C	$90	—	—	5	6	—	—	,,
TOTAL VOLUME IN CONTRACTS					2809			

C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bank	14 %
Amro Bank	14 %
American Express Bk.	14 %
A P Bank Ltd.	14 %
Henry Ansbacher	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank of Credit & Cmce.	14 %
Bank of Cyprus	14 %
Bank of N.S.W.	14 %
Banque Belge Ltd.	14 %
Banque du Rhone et de la Tamise S.A.	14½%
Barclays Bank	14 %
Bremar Holdings Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	15½%
Canada Perm't Trust	15 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons	15½%
C. E. Coates	14 %
Consolidated Credits	14 %
Co-operative Bank	*14 %
Corinthian Secs.	14 %
The Cyprus Popular Bk.	14 %
Duncan Lawrie	14 %
Eagil Trust	14 %
E. T. Trust Limited	14 %
First Nat. Fin. Corp.	15½%
First Nat. Secs. Ltd.	15½%
Robert Fraser	15 %
■ Antony Gibbs	14 %
Greyhound Guaranty	14 %
Grindlays Bank	‡14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Julian S. Hodge	15 %
Hongkong & Shanghai	14 %
Industrial Bk. of Scot.	14½%
Keyser Ullmann	14 %
Knowsley & Co. Ltd.	15½%
Lloyds Bank	14 %
London Mercantile	14 %
Edward Manson & Co.	15 %
Midland Bank	14 %
■ Samuel Montagu	14 %
■ Morgan Grenfell	14 %
National Westminster	14 %
Norwich General Trust	14 %
P. S. Refson & Co.	14 %
Rossminster	14 %
Ryl. Bk. Canada (Ldn.)	14 %
Schlesinger Limited	14 %
E. S. Schwab	15 %
Security Trust Co. Ltd.	15 %
Shenley Trust	16 %
Standard Chartered	14 %
Trade Dev. Bank	14 %
Trustee Savings Bank	14 %
Twentieth Century Bk.	15 %
United Bank of Kuwait	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 11½%. 1-month deposits 11¾%.

† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12¼%, and over £25,000 12¾%.

‡ Call deposits over £1,000 11½%.

§ Demand deposits 11½%.

Early fresh Dow rally of 7.5

THE RALLY which developed at the end of last week on Wall Street was taken a good stage further yesterday morning in light holiday trading.

The Dow Jones Industrial Average, after recouping about nine points last Friday, picked up 7.51 more to 813.99 at 1 p.m. yesterday. The NYSE All Common Index recouped a further 44 cents to $58.18, while gains led declines by a two-to-one margin. Volume, which was limited by the Veterans Day holiday closing many banks and other institutions, contracted to 15.88m shares from Friday's 1 p.m. level of 21.56m.

Analysts said investors have been cheered by recent money supply figures, which indicate that the Federal Reserve's policies are working and that credit may not have to be tightened further. They added that there is also a growing belief that short-term interest rates may have peaked.

Investors were also heartened by reports that Iran was not likely to cut off oil exports to the U.S. to secure the return of the Shah to Tehran.

Selective Oil issues strengthened. Active Texaco rose ⅞ to $28. It has discovered more natural gas in the Baltimore Canyon area. Alaska Interstate advanced 1⅞ to $32⅞, but the company could not account for the rise.

Standard Oil of Ohio climbed 1⅞ to $78, Superior Oil 6¼ to $117 and Cities Service $1 to $77.

Most active stocks included Georgia-Pacific, up ⅛ at $24¼ on volume of about 155,000 shares, and IBM, ⅛ higher at $62.

THE AMERICAN SE Market Value Index was 2.34 higher at 211.08 at 1 p.m. Volume 1.85m shares (2.40m).

Canada

A further broad advance took place in quiet early dealings yesterday. The Toronto Composite Index moved ahead 11.0 to 1,599.0 at noon, while the Oils and Gas index rose 35.8 to 3,287.7, Golds 25.0 to 1,917.4 and Metals and Minerals 4.8 to 1,396.6.

Tokyo

Stock prices were mixed but with a higher bias after fairly active trading. The export-orientated sector, however, provided widespread and sometimes substantial gains, reflecting a sharp appreciation in the dollar against the yen in Tokyo.

The Nikkei-Dow Jones Average managed an improvement of 8.32 to 6,414.82, while volume on the First Market section totalled 400m shares, against Saturday's half-day session turnover of 230m and last Friday's 470m.

Among export-related Light Electricals, Cameras and Vehicles, Sony advanced Y40 to Y1,760, TDK Electronics Y20 to Y1,730, Matsushita Electric Y11 to Y721, Nissan Motor Y10 to Y660, Honda Motor Y31 to Y635 and Ricoh Y15 to Y630.

Chemicals and Pharmaceuticals also closed mainly higher, although there were no particular factors.

Oils, Coals, Shipping Lines and Non-Ferrous Metals, however, were inclined to lose ground on profit-taking. Nipon Oil fell Y40 to Y2,200, Arabian Oil Y190 to Y4,250, Mitsui Mining Y15 to Y626, Sumitomo Coal Y18 to Y262 and Nippon Yusen Y9 to Y352.

Trading Houses, which improved in the morning, also closed lower on late profit-taking.

Australia

Markets generally closed on an irregular note, but the Oils sector was broadly higher, boosted by news of an oil strike at the Thonby Creek Number One well in the Surat Basin in Queensland.

Bridge Oil, operator of the well, rose 62 cents to A$3.90. Among other partners in the oil drilling venture, Crusader Oil fully-paid gained 50 cents to A$1.90 and the partly-paid also 50 cents to A$1.70, while Project Mining doubled in price from 23 cents to close at 46 cents.

OAG, which has a royalty interest in this well as it does in most Surat Basin wells, advanced 8 cents to 98 cents.

Magellan moved ahead 25 cents to A$3.25 on a belief that its oil and gas finds in the Northern Territory will finally get the go-ahead.

Oil Shale stocks were again firm, and there was plenty of action in Coal Miners, although Thiess retreated 16 cents to A$7.00 on consideration of its chances of fending-off the unwanted A$445m take over bid from CSR, which climbed 8 cents to A$4.50.

Market leader BHP, which has oil drilling interests, recorded an improvement of 6 cents at A$10.00.

Consolidated Goldfields sold its interest in Bellambi Coal to Shell Oil and a local company for A$4.40 a share, and on thoughts that this could signal a major move by this mining Finance House, CGFA added another 10 cents at A$6.40.

In Transports, Thomas Nationwide hardened 10 cents to A$2.00 on a sharp rise in first-quarter earnings and an options issue to shareholders.

Germany

Bourse prices were easier for choice after light trading, with the market still unsettled, as was the case of last week, by uncertainties in Iran and high money market rates.

After opening fairly steady, demand fell away and depressed prices. Isolated rallies took place, however, amid selective bargain-hunting and position-squaring. The Commerzbank index eased 4.2 to 705.0.

Electricals were the only sector to gain widely. Brown Boveri added DM 3 and AEG hardened 70 pfennigs.

Steels and Chemicals suffered sector-wide declines. Among Steels, Thyssen shed DM 1.30 and Kloeckner-Werke DM 1.20. Chemicals had Roetgerswerke down DM 7 and Hoechst off DM 1.10.

However, Deutsche Bank put on DM1.50, as did Daimler in Motors.

The Domestic Bond market was narrowly mixed. The Bundesbank sold DM 3.5m nominal of Public Authority Bonds in open-market conditions. Mark Eurobonds lost more ground.

Paris

Mixed price movements occurred in thin dealings.

Market observers commented that investors were hesitant over developments in Tehran, rising interest rates in France and uncertainties over the political situation in France. These elements, however, were offset to some extent by the improvement observed on Wall Street last Friday.

Oils were weak, but most Constructions and Chemicals improved. Portfolios, Foods Electricals and Textiles were irregularly traded.

Among companies reporting higher turnover for the first nine months, Roussel Uclaf put on FFr 1.50 to FFr 231.50, but Avions Marcel Dassault-Breguet receded FFr 15 to FFr 605.

Hong Kong

The market drifted back after a firm start to finish with a mixed appearance on balance after moderate activity.

There was some disappointment at the absence of news rumoured before the weekend concerning Hong Kong Land and Cheung Kong, and some investor nervousness ahead of the Exchange Banks Association interest rates sub-committee meeting this coming weekend.

The underlying picture was of consolidation at around current stock price levels with local speculators generally withdrawn.

Dealers noted, however, that speculative interest shifted in a minor way to second-line stocks.

Hutchison Properties, in which dealings were suspended last Friday following news that the company is holding talks with Hutchison Whampoa with a view to the latter bidding for the minority shares in the property subsidiary, opened sharply higher yesterday at HK$20.40, compared with the pre-suspension price of HK$17.60, and rose further to close at HK$20.80.

Hutchison Whampoa gained 10 cents to HK$8.60 and Hong Kong Land put on the same amount to HK$12.30.

Closing prices and market reports were not available for this edition.

CANADA

Abitibi	17⅞	18⅛
Agnico Eagle	6⅞	5⅞
Alcan Alumin	42¾	42⅝
Algoma Steel	28½	28⅛
Asbestos	38¼	38
Bk Montreal	22	51⅝
Bk Nova Scotia	21¾	21⅛
Basic Resources	12⅛	12⅛
Bell Canada	19⅞	20
Bow Valley	41	42¼

BELGIUM (continued)

Petrofina	5,670	......
Royale Belge	6,450	−170
Soc Gen Banq	2,930	−5
Soc Gen Belge	1,616	......
Sofina	3,300	−5
Solvay	2,390	+20
Traction Elect.	6,375	−30
UCB	1,438	−38
Union Min	592	−10
Vieille Mont	1,466	−14

HOLLAND

Nov. 12	Price Fls.	+ or −
ACF Holding	86.6	−0.7
Ahold	79.2	−0.1
AKZO	26.6	+0.3
ABN	337.5	+3.5
AMEV	25	+1.9
Amro Bank	68.7	+1.2
Bredero Cert.	236.5	+6.0

AUSTRALIA

Nov. 12	Price Aust. $	+ or −
ANZ Group	3.73	−0.03
Acrow Aust.	0.91	......
Allstate Expl.	6.43	−0.02
Ampol Pet.	1.17	+0.01
Ass. Pulp Pap.	2.60	......
Audimco	0.27	......
Aust Cons Ind.	2.08	......
Aust Guarant.	1.43	......

JAPAN (continued)

Makita	1,020	......
Marubeni	485	......
Marudai	600	−5
Marui	880	......
Matsushita	721	+1
M'ta Elec Works	500	+1
M'bishi Bank	362	+2
M'bishi Corp	972	−1
M'bishi Elec.	175	+1
M'bishi Rl Est.	481	+1
MHI	158	+1

Indices

FRIDAY'S ACTIVE STOCKS

Whaling decision attacked

THE Government has been accused of a climb-down over the stand it took on whale products at the International Whaling Commission's (IWC) annual meeting in London in July.

Friends of the Earth, the conservation group, claimed yesterday that according to the Government's latest statement only primary whale products were recommended to be the subject of Common Market controls.

"This means that leather materials, shoes, cosmetics, lubricating oils and a variety of other consumer goods which contain whale products will still be allowed into this country," the organisation said.

Britain said during the IWC's meeting that it would start immediate talks with EEC partners on a ban on the import of sperm whale oil and other derivatives.

"In his letter of October 25 to President Jenkins of the European Commission, Michael Heseltine, Secretary for the Environment urges the EEC to introduce a ban on the import into the Community of the 'primary products of all whales'," the group said.

"Yet in a series of previous statements from other departments, the Government has repeatedly made a commitment to ban all imports of sperm whale products and other derivatives. This step backwards is totally unacceptable."

Friends of the Earth claim that since September 19, when all whale product imports into the UK had to be licensed, an import licence for 1,000 tonnes of sperm whale oil and other products has been issued by the Department of the Environment.

U.S. crop forecasts up again

WASHINGTON—U.S. corn production for the 1979-80 season is forecast at a record 7.59bn bushels, 3 per cent above last month's forecast and 7 per cent more than last year, the U.S. Agriculture Department said.

USDA's latest crop production report said this year's soyabean output is also expected to set a record at 2.24bn bushels. This is 1 per cent higher than expected last month and 20 per cent above last year's crop.

U.S. commodity chief criticises British 'secrecy'

BY DAVID LASCELLES IN NEW YORK

MR. JAMES STONE, chairman of the U.S. Commodity Futures Trading Commission, has attacked Britain over its handling of commodities futures trading.

In an interview with the New York Times published yesterday Mr. Stone says that the British Government has refused to help the CFTC monitor orders coming into U.S. markets from London. This, he claims, has given speculators a "safe new base of operations."

Mr. Stone made these remarks in the context of the recent surge in silver prices and the attempts by U.S. market regulators to curb trading and restore order. However, they seem to apply to commodities trading generally.

The New York Times quotes him as saying: "The commodity markets are international. Much of the trading on our markets comes from abroad. It has always been difficult to find out the real people behind the many trading houses buying and selling from such places as Switzerland, Liechtenstein, Hong Kong and other places.

"Now, our problem is being worsened by the Thatcher Government's sudden penchant for secrecy that, by comparison, is putting the Swiss to shame. If we can't monitor trading from London, we are in deep trouble. Why? London has always been a major commodity trading centre, and all American futures markets execute a flood of orders from their brokers each day as a routine matter."

As Americans see it, Britain is trying to match the U.S. exchanges and regain its leading position in commodities futures trading. It can only do this, many Americans argue, by guaranteeing traders a level of secrecy in their operations which is not permitted in the U.S.

The CFTC is in an awkward position. If it is true that speculators outside the U.S. are disrupting U.S. markets, the commission and U.S. exchanges can only respond by tightening regulations. But this in turn drives more people abroad and makes regulation harder still.

Mr. Stone, 32, took over as chairman of the CFTC earlier this year with a reputation as a determined regulator, earned when he was insurance commissioner in Massachusetts. However, his recent public appearances and effectiveness have been limited by illness.

Our Commodities Staff writes: There was no official reaction in London yesterday to Mr. Stone's allegations. However, it was noted that he was absent from the CFTC meeting recently that decided not to proceed with a proposal that foreign traders on the U.S. futures market should be forced to supply full details of all the clients behind trading transactions.

Copper market advances strongly

BY OUR COMMODITIES STAFF

COPPER PRICES advanced strongly on the London Metal Exchange yesterday. Cash wirebars closed £25 up at £983 a tonne, and the three months quotation, after gaining £24.75 to £998.5 rose further in late kerb trading to more than £1,000.

Main buying pressure came from speculators after a rise in the New York market on Friday night and a further increase when New York started trading yesterday afternoon.

Encouraging the upward trend was the decision by Asarco, the U.S. producer, to raise its domestic copper selling price by 3 cents to $1 a lb.

In London the firmer trend in the market was bolstered by a fall in LME warehouse stocks, when a small increase had been forecast. The fall of 725 tonnes in stocks reduced total holdings to 144,925 tonnes. Lead prices were also sharply higher yesterday. Cash lead jumped by £26.5 to £602 a tonne widening its premium over the three months quotation, which gained £17.75 to £588.

Warehouse stocks of lead, in fact, rose by 400 to 21,250 tonnes, but this was overshadowed by market rumours of battery manufacturers being short of supplies.

Cash tin closed £30 up at £7,590 a tonne, in spite of a smaller than expected fall in warehouse stocks, which were down by only 45 tonnes reducing total holdings to 1,545 tonne.

The main feature in subdued trading conditions was "borrowing" (buying cash tin and selling forward simultaneously) that resulted in a marginal fall in the three months quotation, and emphasised that a shortage of nearby supplies remains.

Zinc values were firmer after another decline in warehouse stocks—down by 1,050 to 45,125 tonnes. Aluminium stocks fell too by 1,500 to 13,400 tonnes but nickel rose by 24 to 5,802 tonnes. LME silver holdings dropped by 480,000 to 10,830,000 ounces.

Warning of 'massive' food shortage

BY OUR COMMODITIES STAFF

EVEN WITH three times today's level of food aid, the Third World faces the prospect of increasing shortages of food that could spell "economic disaster," hunger and malnutrition on a massive scale by the turn of the century, according to a report presented to a UN food conference which opened in Rome yesterday.

The Food and Agriculture Organisation report says an exploding birth rate and rising costs of imports caused by the increasing price of energy means that poor countries will become increasingly unable to feed themselves.

Grain imports of developing countries have grown rapidly in the past four years from 51m tons in 1975 to about 80m tons this year.

Sugar price upsurge continues

By Our Commodities Staff

WORLD SUGAR prices continued their recent upsurge yesterday with the March position on the London raw sugar futures market gaining another £2.575 to £187.225 a tonne—the highest level for three years. In the morning the London daily raw sugar price was fixed at £163 a tonne, up £3.

Dealers said there were no new developments to explain the rise, which they saw as a continued reaction to last week's "bullish" news. They said forecasts of world production deficit in the coming season and a threat by President Marcos of the Philippines to hold sugar off the world market were still encouraging speculative buying.

The dealers also noted that demand for sugar remained strong as instanced by the good price received for 20,000 tonnes of Dominican Republic raws sold at a tender on Friday.

A new contract began trading on the London futures market yesterday offering a much wider selection of raw sugar supplying countries and an effective "free-on-board" tendering system.

The Number 4 contract is quoted on a cif basis but deliveries can be made at the sellers' option with an adjustment for extra freight costs.

The market started quietly with only 531 lots traded compared with 7,847 on the old contract. The Number 4 contract is intended to take over eventually but initially will run in tandem with the old contract. Prices quoted for No. 4 sugar yesterday were slightly below old contract values.

NZ abattoir strike ends

WELLINGTON — New Zealand's abattoir workers have agreed to end a six-day strike and take their pay dispute to arbitration, Mr. Jim Bolger, NZ Labour Minister said.

The strike had delayed the start of the country's killing season.

Uganda is seeking help from New Zealand to restore the country's dairy farming industry which slumped during the rule of deposed dictator Idi Amin.

Reuter

INDONESIA

Bringing new life to the Garden of Asia

BY RICHARD COWPER

FAMOUS UNDER the former Dutch administration as the garden of Asia, Indonesia was once the world's major rubber producer, a leading centre of the lucrative and much coveted international trade in spices and second only to Cuba in the export of sugar. Only recently, however, has Indonesia managed to pull its plantation and smallholder commodity export industry back from a period of disastrous decline brought about by the disruptions of World War II, the expulsion of the Dutch in 1957 and the economic mismanagement of the late President Sukarno.

Though today Indonesia takes second place to Malaysia as the world's leading rubber exporter and finds itself in the unenviable position of being both a net sugar and copra importer, its export of the traditional commodities of rubber, tea, tobacco, coffee and spices makes this sector the most important foreign exchange earner after the new-found wealth in oil and timber.

With the lucrative addition of palm oil and palm kernels, Indonesia's traditional export commodities nearly doubled in value during Repelita II, Indonesia's second five year plan, from $0.88bn in 1974 to $1.69bn in 1977. Last year revenue fell slightly to $1.66bn to account for around 16 per cent of total export earnings of $10.4bn. With the notable exception of a stagnating rubber sector this period of growing export earnings was matched by a steady rise in output.

The most recent rise in the value of Indonesia's non-oil exports, however, has been due more to the general increase in world commodity prices than any spectacular growth in output. In 1977, for example, over half of the 22 per cent increase in non-oil earnings was due to unusually high coffee and tea prices.

Anxious to justify last November's massive devaluation of the rupiah against the dollar by 33.6 per cent Government officials have been pointing to the present boom in non-oil export receipts as a sign of devaluation's healthy impact on the economy. But in most cases the actual volume of traditional commodity exports has remained more or less static.

In value terms production of coffee, tea, rubber, palm oil, tobacco and spices was up by 33 per cent in the first seven months of 1979 over the corresponding period last year, from $910m to $1.2bn. But the present boom has been brought about largely by increasing world commodity prices, and those output gains that have occurred, as in palm oil, are consistent with general production trends, over the past few years and not a dramatic result of the devaluation package. Most experts agree that the supply response of the major traditional export crops is bound to be slow, if only because of the long gestation period of many of the crops involved.

The two notable successes in the commodity sector in recent years have been palm oil and coffee. Palm oil production increased from 411,000 tonnes in 1975 to 525,000 tonnes last year, though compared to Malaysia's Indonesia's efforts look puny. Until recently this increase in output had allowed greater quantities to be exported but the growing coconut oil shortage has meant that exports have flattened out as palm oil was diverted into the domestic market as a substitute. Exports declined from a peak of 406,000 tonnes in 1976 to 400,000 tonnes last year.

The coffee sector too has shown strong gains, with an increase in production from around 171,000 tonnes in 1975 to 192,000 tonnes last year. Phenomenal world prices in 1977 saw it overtake rubber as Indonesia's leading non-oil and timber commodity export, with overseas sales of nearly $600m. Though this fell back to $500m last year with a drop in prices, exports for the first seven months of this year are already valued at over $400m.

Elsewhere, however, the picture is hardly exciting, with small production increases or stagnation being the main feature. The gloomiest tale comes from rubber, the commodity which arguably has the greatest potential for expansion. While it regained its position last year as Indonesia's third largest foreign exchange earner with exports of $698m, rubber output actually declined by an average of 4.7 per cent a year between 1974 and 1977.

Ambitious plans to open up 625,000 hectares of new land and move some 2.5m people from over-crowded Java to the Outer Islands over the next five years should make a significant impact on output of these commodities in the long-term. But the major focus will initially be on producing a large increase in food output. This coupled with Repelita III plans for a big push in manufacturing means that Indonesia's once dominant plantation sector has largely been left to fend for itself.

While 68 per cent of Indonesia's plantations — on the basis of production — are State-owned, the Government plans to spend only $1.5bn, or 3 per cent of the Repelita budget, on estates and plantations over the next five years. It sees much of the growth in this sector coming from foreign and domestic private investment.

As yet it is too early to say whether the Government's new policy of encouraging foreign investors to enter into joint ventures either with itself or domestic entrepreneurs will pay off. Until now the main complaint from foreigners has been that the 30-year lease on new land which the State offers is not sufficient to allow the investor a reasonable return.

While the Government has apparently given potential investors reason to believe that it intends soon to change the law to give them the security they are looking for, as yet it has not done so.

Many, however, see the greatest potential gains for Indonesia coming from the smallholders. Government money and efforts would be best spent, they argue, on improving and expanding the existing smallholder sector.

Whatever the arguments over how best to make use of limited resources the Government is committed to increasing production of traditional commodities at an average of 7 per cent per annum over the next five years.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Sharply higher on the London Metal Exchange. After opening at £990, reflecting the strong performance on Comex late on Friday evening, forward metal attracted trade selling which pared the price to £984. However, fresh speculative buying here—despite the firmness of sterling—and a higher than forecast opening on Comex saw the price move back through the £1,000 level to touch £1,002 before a close on the late kerb of 998.5. Turnover: 20,850 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	976-7	+11½	982.4	+25
3 months	991.5-2	+12½	998-9	+24½
Settlem't	977	+12	—	......
Cathodes				
Cash	957.5	+13½	962.4	+25
3 months	972-5	+12.5	976-9	+24
Settlem't	957.5	+13.5	—	......
U.S. Prod	—	......	*95-97.25	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £978.5, three months £989, 90, 91, 90.5, 91, 92, 91, 90, 90.5, 91, 91.5. Cathodes, cash £958, 57. Kerb: Wirebars, three months £992, 93, 94, 93.5, 93. Afternoon: Wirebars, three months £999, 98.5, 98, 99, 1,000, 02, 1,000, 01, 1,000, 999, 98, 97, 96, 95, 96, 97, 98. Cathodes, three months £979. Kerb: Three months £998, 99, 1,000, 01, 02, 01, 999.

TIN—Easier for forward metal. A fall at Penang coupled with the rise in sterling saw forward material ease back from £7,400 to £7,380 in the morning. However, renewed demand for cash metal widened the backwardation and helped forward metal rally to close the late kerb at £7,420, after £7,430. Turnover: 760 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	7570-80	+5	7580-600	+50
3 months	7585-95	—60	7420-35	—17.5
Settlem't	7580	......	—	......
Standard				
Cash	7570-80	+5	7580-600	+50
3 months	7380-5	—82.5	7420-5	—12.5
Settlem't	7580	......	—	......
Straits E.	‡$2031	—18	—	......
New York	—	......	—	......

Morning: Standard, cash £7,560, 70, three months £7,410, 05, 7,400, 7,380, 90, 85, 80. High Grade, cash £7,550. Kerb: Standard, three months £7,400, 10, 7,400. Afternoon: Standard, three months £7,400, 10, 30, 20, 25, 30, 25. Kerb: Standard, three months £7,425, 20, 30, 25, 20.

LEAD—Sharply higher following good trade buying which lifted forward metal from around £578 to the day's high of £595 before a close on the late kerb of £590.5. Turnover: 13,550 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	589-90	+14	601-5	+26.5
3 months	585-.5	+11½	588-.5	+17½
S'ment	590	+14	—	......
U.S. Spot	—	......	*57-53	......

Morning: Cash £589, 90, three months £578, 79, 80, 82, 83, 83.5. Kerb: Three months £583, 84, 83.5, 84, 83. Afternoon: Three months £585, 85.5, 86, 87, 88, 87.5, 89, 88, 8.5. Kerb: Three months £590, 91, 92, 91, 90, 89, 90, 91.

ZINC—Marginally firmer as short covering prompted by the strong gains in copper and lead more than offset the rise in sterling. Turnover: 2,775 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	334-5	—0.25	334-6	+2.5
3 months	343-4	+0.5	344-5	+3.75
S'ment	335	—1	—	......
Prim w'st	—	......	*35-37.5	......

Morning: Three months £34, 43.5. Kerb: Three months £344. Afternoon: Three months £345, 44, 43.5, 44. Kerb: Three months £343.

ALUMINIUM—Easier following trade selling which depressed forward metal on the late kerb. Turnover: 1,425 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Spot	849-.5	+3	835-45	+3
3 months	799-800	—3	786-8	—4.5

Morning: Three months £800, 800.5, 800. Kerb: Three months £800. Afternoon: Three months £800, 799, 98, 97, 98, 97. Kerb: Three months £896.

NICKEL—Lost ground following the strength of sterling against the dollar. Forward metal opened at £2,810 and moved ahead to £2,825 on the morning kerb before falling back to close the late kerb at £2,780. Turnover: 198 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	2770-90	......	2750-5	—37.5
3 months	2815-20	......	2795-800	—20

Morning: Three months £2,820, 25. Afternoon: Cash £2,760, three months £2,810, 2,800, 05. Kerb: Three months £2,800, 2,790, 80, 90.

* Cents per pound. ‡ $M per picul. † On previous unofficial close.

SILVER

Silver was fixed 2.5p an ounce lower for spot delivery in the London bullion market yesterday at 783.0p. U.S. cent equivalents of the fixing levels were: spot 1,845.0c, up 4.5c; three-month 1,885.4c, up 7.0c; six-month 1,718.5c, up 10.7c; and 12-month 1,762.4c, up 7.7c. The metal opened at 779-784p (1,840-1,850c) and closed at 779-784p (1,845-1,855c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	783.0p	—2.5	784.0p	+0.75
3 months	803.0p	+0.7	801.75p	+2.25
6 months	820.60p	+4.5	—	......
12months	848.60p	+4.4	—	......

LME—Turnover 102 (81) lots of 10,000 ozs. Morning: Three months 799, 800, 2, 1, 2, 1.5. Kerbs: Three months 802. Afternoon: Three months 802.5, 3, 2, 2.5. Kerbs: Unitraded.

COCOA

News of heavy rainfall on the Ivory Coast allied with producer intention to stockpile cocoa there caused futures to open on a steady note before easing slightly to close unchanged to Friday evening. Producers again made light sales at the highs although they await a reversal of the market trend before re-entering the fray, reported Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
Dec	1450-1451	—1.0	1470-44
March	1457-1459	+6.0	1468-47
May	1468-1470	+1.5	1483-55
July	1485-1488	+3.0	1485-83
Sep	1499-1500	+2.0	1518-1498
Dec	1525-1527	+6.0	1530-27
March	1537-1555	—1.5	—

Sales: 3,461 (1,594) lots of 10 tonnes. International Cocoa Organisation (U.S. cents per pound): Daily price Nov. 9: 134.04 (133.62); Indicator price Nov. 12: 15-day average 131.59 (131.75); 22-day average 133.53 (134.11).

COFFEE

After opening slightly higher during a steady opening call robustas slowly gathered strength to register gains of £16-£21 on the day. Continued commission house buying in the afternoon contributed towards further steadiness but scale-up trade selling provided good resistance to dampen any sharp advance. A late rally during mixed dealings pushed values to the highs of the day after receiving fresh incentive from a strong "C" contract market, reported Drexel Burnham Lambert.

COFFEE	Yesterdays Close	+ or —	Business Done
	£ per tonne		
November	1847-48	+29.0	1848-35
January	1888-89	+35.0	1890-57
March	1796-92	+19.5	1800-777
May	1757-58	+14.5	1775-54
July	1762-64	+15.0	1759-58
Sept	1767-74	+16.0	—
November	1785-85	+2.0	—

Sales: 4,634 (4,030) lots of 5 tonnes. ICO indicator prices for November 9 (U.S. cents per pound): Colombian Mild Arabicas 214.00 (same); Unwashed Arabicas 214.00 (213.00). Other Mild Arabicas 206.83 (206.33). Robustas ICA 1976: 178.25 (176.00). Robustas ICA 1968: 178.50 (176.25). Comp. daily ICA 1964: 193.88 (193.31).

GRAINS

LONDON GRAIN FUTURES—Grains opened 10p lower on barley to unchanged on wheat, values eased in thin volume in the morning session. Slightly more trade was seen in the afternoon but spot options came under selling pressure and closed 45p lower on wheat and 30p down on November barley with no trade. The rest of the market closed weak, 45p down on wheat and barley, reported Acli.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Nov	96.25	—0.45	93.00	—0.15
Jan	98.35	—0.35	95.95	—0.15
Mar	102.45	—0.45	99.35	—0.30
May	105.10	—0.45	102.10	—0.25
Sept	98.70	+0.15	95.50	—0.05

Business done—Wheat: Nov. 95.45-95.15, Jan. 98.50-98.50, March 102.85-102.40, May 105.25-105.00, Sept. no trade. Sales: 164 lots of 100 tonnes. Barley: Nov. no trade, Jan. 95.95-95.40, March 99.35-99.30, May 103.10-102.75, Sept. 95.60-95.50. Sales: 168 lots of 100 tonnes.

IMPORTED—Wheat: CWRS No. 1 13½ per cent unquoted. U.S. Dark Northern Spring No. 2 14 per cent Nov. 106.75, Dec. 108.50 transhipment East Coast. U.S. Hard Winter 13½ per cent Nov. 106.50 transhipment East Coast, first half Dec. first half Jan. 108.00 direct unquoted. Maize: U.S./French Nov. 118.00, Dec. 117.00 transhipment East Coast. S. African White unquoted. S. African Yellow Dec./Jan. 79.25. Barley: English Feed fob Nov. 96.00, Dec. 97.50, Jan./March 102.50 East coast. Sorghum: U.S./Argentine unquoted. Oats: Scandinavian feed unquoted.

HGCA—Location ex-farm spot prices. Feed Barley: Eastern 92.80, E. Midlands 92.20, N. East 92.40, Scotland 90.70. Other Milling Wheat: Eastern 98.00, E. Midlands 97.30.

The UK Monetary Coefficient for the week beginning Monday, November 12 is expected to decrease to 1.110.

RUBBER

The London physical market opened steadier, with fair interest throughout the day, closing on an easier note. Lewis and Peat reported a Malaysian godown price of 291 (285.5) cents a kg (buyer, December).

No. 1 R.S.S.	Yesterd'ys Close	Previous Close	Business Done
Dec	66.90-67.20	66.00-66.50	67.00-66.50
Jan	67.50-68.50	67.00-67.50	—
Jan-Mar	68.55-68.65	68.00-68.10	68.65-68.00
Apr-Jne	70.25-70.30	69.60-69.90	70.75-69.90
Jly-Sept	72.45-72.55	71.95-72.00	72.65-72.05
Oct-Dec	74.70-74.75	74.20-74.40	75.00-74.70
Jan-Mar	77.00-77.20	76.60-76.70	77.20
Apr-Jne	78.50-78.55	78.60-79.00	79.60
Jly-Sep	81.45-81.50	81.15-81.15	81.65-81.50

Sales: 296 (288) at 15 tonnes, 4 (2) at 5 tonnes.

Physical closing prices (buyer) were: Spot 68.00p (63.00p); Dec. 67.60p (67.25p); Jan. 68.25p (67.75p).

SOYABEAN MEAL

	Yest'rd'y Close	+ or —	Business Done
	£ per tonne		
December	122.60-22.1	+0.9	122.00-21.00
February	124.10-24.5	+1.15	124.40-23.90
April	125.70-25.8	+1.5	125.60-24.50
June	126.40-27.5	+1.2	—
August	126.50-28.5	+0.55	—

Sales: 103 (43) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar): £163.00 (£160.00) a tonne cif for Nov.-Dec. shipment. White sugar daily price was £187.00 (£185.00).

Renewed buying interest found only scattered offerings scale-up and prices quickly gained up to £3.00 from pre-weekend levels. Thereafter despite some isolated bouts of profit-taking the market was very steady throughout the day. The new rows "No. 4 Contract" commenced trading at parity with the existing No. 2 Contract, but later was some £1.00 below the old rows contract, reported C. Czarnikow.

Sugar Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
Dec	185.40-85.75	173.00-73.10	185.75-78.50
March	187.20-87.25	184.65-84.70	187.75-82.75
May	187.20-87.35	185.00-85.50	187.75-82.75
Aug	189.00-89.50	186.00-86.60	189.50-85.00
Oct	190.75-90.00	188.00-89.00	190.50-87.00
Dec	191.00-93.00	190.00-91.00	191.50-88.50

Sales: 7,847 (7,401) lots of 50 tonnes.

NUMBER FOUR CONTRACT—Close (in order buyer, seller only): May 186.50, 186.75; Aug. 185.50, 185.75; Oct. 185.00, 185.35; Jan. 181.00, 183.00; March 181.00, 184.00; May 181.00, 184.00. Sales: 531.

Tate and Lyle ex-refinery price for granulated basis white sugar was £304.55 (same) a tonne for home trade and £283.50 (£248.50) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for November 9: Daily price 12.47 (12.09); 15-day average 12.69 (12.84).

LONDON WHITE SUGAR—Close (in order buyer, seller, business, sales). Feb. 187.00, 193.00, 192.00, 100; Apr. 183.00, 188.00, 186.75, 186.00, 10; July 185.00, 200.00, nil, nil; Sept. 198.00, 203.00, nil, nil; Nov. 196.00, 205.00, nil, nil; Feb. 200.00, 210.00, nil, nil; Apr. 201.00, 213.00, nil, nil. Sales 110.

WOOL FUTURES

LONDON GREASY WOOL—Close (in order buyer, seller only): Dec. 218.0, 238.0; March, May, July, Oct., Dec., March, May 210.0, 220.0, nil, nil. Sales: 21.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Micron Contract: Dec. 435.0, 436.0, 437.0-433.0, 37; March 457.0, 458.0, 458.0-454.5, 82; May 464.5, 465.0, 465.0-464.5, 162; July 472.0, 473.0, 475.0-472.5, 71; Oct. 473.0, 474.0, 476.0-473.0, 56; Dec. 473.0, 474.0, 475.0-474.0, 37; March 476.0, 477.0, 475.0-476.0, 12; May 477.0, 480.0. Sales 498.

NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales): Dec. 210.0, 220.0, nil, nil; March 210.0, 220.0, 218.0, 21; May, July, Oct., Dec., March, May 210.0, 220.0, nil, nil. Sales: 21.

PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 12 1979	+ or —	Month ago
Metals			
Aluminium	£750/70		£750/60
Free Mkt (ca)	$1730/1750	+30	$1730/60
Copper			
Cash w'bar	£982.5	+25	£951
3 mths	£998.5	+24.75	£969.5
Cash Cathode	£962.5	+25	£940
3 mths	£978.5	+24	£944
Gold troy oz	$386.5	+5	$380.5
Lead Cash	£603	+26.5	£555
3 mths	£588.25	+17.75	£394.75
Nickel	£2865.25		£2865.25
Free mkt (c lb)	280/300		280/300
Platin'm tr'y oz	£185.5		£161.0
Free mkt	£246.50	+0.9	£222.80
Quicksilver	$320/340	+12.5	$320/340
Silver troy oz	783.0p	—2.5	803p
3 months	803.0p	+0.7	849p
Tin Cash	£7,590	+50	£7,670
3 mths	£7,422.5	—17.5	£7,420
Tungsten	$142.72		$143.24
Wolfram 22.04lb	$137/142	—1.5	$141/146
Zinc cash	£335	+2.5	£307.5
3 months	£344.5	+3.75	£327.25
Producers	$760		$760
Oils			
Coconut (Phil)	$950.0r		$925.0
Groundnut			
Linseed Crude	£458r	+16	£500
Palm Malayan	$690x		$610.0
Seeds			
Copra Philip	$616.0r		$600
Soyabean (U.S.)	$284.00x	+1.6	$284
Grains			
Barley Futures	£95.40	—0.15	£99.75
Maize			
French No 3 Am	£115.0		£114.0
Wheat			
No. 1 Red Spg			
No2Hard Wint			
Eng. Milling	£104.5		£104.5
Other commodities			
Cocoa ship't	£1,556		£1,518.5
Future Mar.	£1,458	+6	£1,458.5
Coffee Ft Jan.	£1,888.5	+35	£1,898
Cotton A Index	79.30c	—0.15	76.05c
Rubber (kilo)	68p	+5	56.50p
Sugar (Raw)	£163.0	+3	£159.0
Woolt'ps 64s kilo	277p	—1	265p

* Nominal. † New crop. ‡ Unquoted. p Oct.-Nov. q Nov. r Nov.-Dec. s Dec. t Jan. x Indicator. § Buyer.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 850 tonnes. The week started well with considerable demand from various users. Interest ranged over numerous American type varieties with pressure for supplies on forward account.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 80.0 to 85.0; Eire hindquarters 89.0 to 70.0, forequarters 44.0 to 48.0. Veal: Dutch hinds and ends 102.0 to 110.0. Lamb: English small 52.0 to 57.0, medium 50.0 to 55.0, heavy 42.0 to 50.0; Scottish medium 48.0 to 56.0, heavy 42.0 to 48.0. Imported frozen: NZ PL 51.5 to 52.0, PM 48.0 to 48.5. Pork: English, under 100 lb 45.0 to 50.0, 100-120 lb 45.0 to 51.0, 120-160 lb 42.0 to 48.0. * Special quotation—very high quality produce in limited supply.

MEAT COMMISSION—Average fat-stock prices at representative markets week ending November 10. GB Cattle 74.42p per kg.lw. (+0.23). UK Sheep 130.2p per kg. est. dcw. (—1.9). GB Pigs 74.7p per kg. lw. (+1.0). England and Wales: Cattle numbers up 1.3 per cent, average price 73.52p (+0.20). Sheep numbers up 9.5 per cent, average price 130.5p (—2.2). Pig numbers up 7.3 per cent, average price 74.8p (+1.0). Scotland: Cattle numbers down 7.1 per cent, average price 77.67p (+0.64). Sheep numbers up 18.6 per cent, average price 128.4p (+0.1). Pig numbers up 2.2 per cent, average price 69.7p (—0.3).

COVENT GARDEN—Prices in sterling per package except where otherwise stated. Imported produce: Oranges—S. African: Valencias 4.00-5.30; Brazilian: 3.30-4.80; Spania: Navelinas 4.00-5.20. Satsumas—Spanish: 11/5 189s 3.00-3.60. Clementines—Spanish: 4.00. Moroccan: 4.00-4.50. Lemons—Italian: 100/120s 5.20-5.50; Cyprus: 11 kilos 95/120 4.00-5.00, 5 kilos 45/55 2.50; Spanish: 5 kilos 2.20-2.50. Grapefruit—Cyprus: 3.00-3.40; Jaffa: 3.90-4.40; Jamaican: 2.00; Cuban: 2.00-2.40. Apples—French: Golden Delicious, boxes 40 lb 138/175 4.00-5.80; 20 lb 1.40-2.80; jumble pack 31 lb 2.00-2.40; Granny Smith 20 lb 2.40-3.00; 40 lb 4.00-5.60; Hungarian: Starking 43 lb 138s 5.40. Pears—Italian: Williams per pound 0.17-0.19. Grapes—Italian: Italia per pound 0.35; Spanish: Almeria 1.80-2.40. Black 2.80-2.90. Bananas—Jamaican: Per 28 lb 3.90. Avocados—Canary: 4.00; Israeli: 3.40-3.60. Melons—Spanish: Green 2.80-4.50, Yellow 3.50-4.50, 15 kilos Green 8/15s 7.75-8.00. Onions—Spanish: 2.80-3.00; Dutch: 2.80; Polish: 3.30, Pickles 4.50. Tomatoes—Dutch: 2.60; Spanish: 2.00-2.20; Canary: 2.40-2.80; Romanian: 2.00. Cucumbers—Canary: 10/12s 1.40-1.80. Spanish: 1.40. Dates—Tunisian: 30's per box 0.36-0.42; Californian: Per pound 0.30. Chestnuts—Italian: 10 kilos 4.00-6.00; Spanish: 5 kilos 2.50-3.00; French: 10 kilos 3.00. Walnuts—Grenoble: Per pound 0.38; Chinese: Per pound 0.28-0.30. Filberts—Per pound 0.28-0.40. Brazils—New crop per pound 0.28-0.30. Medium 0.24-0.26. Pecan Nuts—Per pound 0.65. Almonds—Per pound semi-soft 0.50. Figs—Smyrna: Per packet 48 × ½ lb 0.20. Nuts—Mixed per pound 0.33-0.38. Pineapples—Ivory Coast: Each 0.40-0.80. Lettuce—French: 12's 1.00.

English produce: Potatoes—Per bag 2.00-2.80. Lettuce—Per 12 round 1.00. Mushrooms—Per pound 0.40-0.50. Apples—Per pound Bramley 0.05-0.09, Worcester Pearmain 0.07, Cox's Orange Pippin 0.09-0.13, Russets 0.05-0.08, Derby's 0.05, Golden Delicious 0.05-0.06, Egremont 0.06-0.09, Comice 0.09-0.12. Plums—Per pound Damson 0.09-0.10, Wyedales 0.09-0.10. Tomatoes—Per 12 lb 1.80-2.80. Cauliflowers—Trays 8/10/12 1.80-2.40. Cabbage—Per 28 lb 1.40. Sprouts—Per 20 lb 1.80-2.00. Parsnips—Per 28 lb 1.20-1.60. Celery—Boxes naked 12/18/20s 1.20-1.80, cartons 18/24s 2.80. Swedes—Per bag 2.40-2.60. Pickles 55 lb 2.50-3.00. Cocktail 22 lb 1.50. Carrots—Per bag 0.60-1.20. Beetroot—Per bag 0.80. Capsicums—Per pound 0.40. Onions—Per 25/28 lb 0.70. Sprouts—Per pound 0.05-0.07.

AMERICAN MARKETS

NEW YORK, November 12.

GOLD AND silver again responded on the upside with the uncertainties in Iran providing support to the market. Despite a bearish crop production report, all grains and soyabeans finished the day with an impressive rally after the market refused to break to new lows. Sugar was limit or near limit up on strong indications that next year's demand for gasohol will be a factor in the demand for sugar. Cotton finished sharply higher on short-covering following the announcement by Egypt and Sudan that further oil price increases will follow. Livestock markets were generally higher, while copper was strong on arbitrage buying. Copper was firm on trade buying, both in the U.S. and abroad, Heinold reported.

Potatoes (round whites)—March 73.4 (73.0), April 89.8-90.0 (90.0), May 99.0-99.9, Nov. Unquoted. Sales: 856.

Tin—785.00 asked (unquoted).

CHICAGO, November 12.

Lard—Chicago loose 23.00 (same). New York prime steam 24.50 (same).

Live Cattle—Dec. 71.20-71.30 (70.70-71.25), Jan. 73.10 (72.45-73.10), Feb. 73.85-73.85, April 74.30-74.55, June 74.97-75.15, Aug. 73.70-73.50, Oct. 72.85-72.25, Dec. 73.20. Sales: 24,444.

Live Hogs—Dec. 40.50-40.80 (40.22-40.55), Feb. 42.45-42.55 (42.37-42.50), April 40.50-40.40, June 43.85-43.75, July 44.50-44.80, Aug. 44.02, Oct. 42.95, Dec. 43.55, Feb. 44.55. Sales: 9,330.

†Maize—Dec. 265-265½ (262), March 282¼-282½ (278¼), May 293¼-293½, July 298¼-298½, Sept. 302¼, Dec. 305¼.

†Soyabeans—Nov. 664½-665 (651), Jan. 685-686 (670¾), March 709-708¼, May 729-729½, July 740-740, Aug. 743, Sept. 747, Nov. 754.

||Soyabean Meal—Dec. 180.00-183.60 (184.50), Jan. 192.60-192.20 (189.80), March 195.00-195.20, May 197.00-197.50, July 200.50-200.80, Aug. 201.50-202.00, Sept. 202.00-203.00, Oct. 203.00-203.50, Dec. 206.00-207.00.

Soyabean Oil—Dec. 26.80-26.85 (26.17), Jan. 26.25-26.33 (25.87), March 26.05-26.60, May 26.60-29.04, July 26.10, Aug. 26.05, Sept. 25.20-25.30, Oct. 25.50, Dec. 25.00-25.10, Jan. 25.25.

†Wheat—Dec. 431-431 (423¾), March 432-452 (442), May 454-453, July 444-445, Sept. 450-455, Dec. 469½.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. † Cents per troy ounce. ‡ Cents per 56-lb bushel. || $ per 100-lb bushel. § $ per short ton (2,000 lbs). ¶ $Can. per metric ton. §§ $ per 1,000 sq. feet. ‡ Cents per dozen.

EUROPEAN MARKETS

ROTTERDAM, November 12.

Wheat—U.S. No. 2 Dark Hard Winter, 13.5 per cent, Dec. $208, Jan. $210, Feb. $212, March $214. U.S. Hard Winter Ordinary unquoted. U.S. No. 2 Red Winter, Jan. $202, Feb. $203, March $204. U.S. No. 2 Northern Spring, 14 per cent, Nov. $204, Dec. $205, Jan. $216, Feb. $220, March $222.

Maize—U.S. No. 3 Corn Yellow afloat $139, Nov. $139, Dec. $140.75, Jan.-March $147.75, April-June $150.50, July-Sept. $153, Oct.-Dec. $155.

Barley—1/2 Canadian feed/U.S. Nov. $157.50, Nov.-Dec. $157.50.

Soyabeans—U.S. Two Yellow Gulfports Nov. $275, Dec. $279.50, Jan. $284.50, Feb. $292, March $293.50, April $297, May $298, June $303.25, July $303, Aug. $304.50, Sept. $306, Oct. $306, Nov. $306.50, Dec. $310.50. Brazil Yellow Fas unquoted. Argentina May-June $292, July $290.

Soyameal—44 per cent protein U.S. afloat $244, Nov. $244, Dec. $245, Nov.-March $247, April-Sept. $250. Brazil Pellets afloat $247, Nov. $250, April-Sept. $230.50.

PARIS, November 12.

Cocoa (FFr per 100 kilos): Dec. 1680-1685, March 1702-1705, May 1730-1732, July 1750-1760, Aug. 1755-1765, Nov. 1755-1780, Dec. 1760-1780. Sales at call 8.

INDICES

FINANCIAL TIMES

Nov. 9	Nov. 8	M'nth ago	Year ago
282.90	288.53	299.86	260.68

(Base: July 1, 1952=100)

MOODY'S

Nov. 9	Nov. 8	M'nth ago	Year ago
1144.3	1140.1	1171.1	979.5

(December 31, 1931=100)

DOW JONES

Dow Jones	Nov. 9	Nov. 6	Month ago	Year ago
Spot	408.59	402.68	418.99	394.83
Fut's	411.80	404.51	418.86	393.13

(Average 1924-25-26=100)

REUTERS

Nov. 12	Nov. 9	M'nth ago	Year ago
1700.5	1690.1	1661.5	1518.1

(Base: September 18, 1931=100)

Equities down with an uninspiring debut of BP new
Gilts also lower as interest rate anxieties increase

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Oct. 22	Nov. 1	Nov. 2	Nov. 12
Nov. 5	Nov. 15	Nov. 16	Nov. 26
Nov. 19	Nov. 29	Nov. 30	Dec. 10

* "New time" dealings may take place from 9.30 am two business days earlier.

Overshadowed by the surrounding gloom, the much publicised debut of British Petroleum partly-paid shares was a non-event as far as stock markets were concerned yesterday. *Having already lowered their sights about the interest likely to be aroused by the issue,* mainly because of the change in market sentiment since the Government's offer for sale was first announced, dealers were still extremely disappointed with the day's trade in 80m new shares.

The unusual preparations made for the most auspicious issue for a long time proved to be unnecessary. After an initial first hour of lively trade, the tempo of business subsided to the extent that the proposed extention in floor dealings from the usual 3.30 pm until 5 pm was abandoned. The opening premium on the new shares was in line with estimates at around 155p in 150p-paid form and, after extremes of 156 and 150p, the price settled at 154p.

Equity markets were influenced by the same lack of enthusiasm and, overshadowed by a continuation of the downslide in Gilt-edged securities, were unable to extend Friday's technical recovery movement. Leading shares, in fact, reacted quite sharply soon after the opening and before midday had surrendered all of Friday's gains. A recovery in places of a penny or so was finally established, however, and the FT 30-share index, after being 8.7 down at 2 pm, closed with a fall of 7.9 on balance at 413.0.

For Government stocks there was little relief and quotations fell for the eighth successive trading session. Interest rate anxieties became more pronounced following the increase in bank base-rates, and the market was very apprehensive ahead of Thursday's decision on Minimum Lending Rate.

By the early afternoon, some longer-dated stocks were showing falls extending to about ¾ but following the announcement of the October retail sales and industrial production figures for the third quarter a rally began which continued after the official close. The falls were finally reduced quite substantially with the shorts faring best and in the after-hours' dealings Exchequer 11¾ per cent 1984 was being quoted at 88⅞, after having been as low as 88½.

Debt repayment hopes flared again in Chinese bonds, bringing gains extending to 8 points in the 4½ per cent 1898 issue at £55; 5 per cent 1912 rose 4 points to £39. Southern Rhodesian bonds also strengthened and the 6 per cent 1978-81 improved 3 points to a new peak of £144.

Traded options opened the week in a quiet mood with only 414 contracts completed compared with Friday's 627 and last week's average of 533. Despite a disappointing equity business in BP, the option series recorded a relatively active 128 trades, while EMI were also in demand with 53.

Rosehaugh, a good market since being requoted last week, succumbed with the general trend to close 7 lower at 111p. Elsewhere among recently-issued equities, **Vitatron** reacted only 3 to 270p, while **Link House** eased 2 to 155p.

King and Shaxson down

Brown Shipley's decision to precede the major clearers in announcing an increase in base lending rate—up 1½ to 15½ per cent—prompted an improvement of 4 to 286p in B.S. but also heightened speculation that similar moves by the big banks could not be far off. However, NatWest fell away to touch 312p before closing a net 6 lower on balance at 314p, while Barclays, which announced further U.S. expansion moves over the weekend, closed a similar amount lower at 394p, after 392p. Lloyds closed 4 cheaper at 284p as did Midland at 324p. With the exception of Seccombe Marshall and Campion which rose 20 to 200p following the interim statement. Discounts moved lower in sympathy with weak gilts. King and Shaxson declined 4 to 56p in reaction to the gloomy interim report, while falls of around 5 were seen in Cater Ryder, 278p, Clive, 69p, and Union, 300p.

By way of contrast, Arbuthnot Latham hardened 2 to 152p in front of today's interim results.

Insurances were notable for a Press-inspired lean of 35 to 175p in Trade Indemnity. Elsewhere, Commercial Union softened 3 to 119p awaiting today's third-quarter figures. Sun Alliance dipped 6 to 490p, Royals 5 to 290p and General Accident 4 to 196p.

Breweries and kindred issues drifted lower following an extremely slack day's trading, although a steadier note became apparent towards the close and the leaders ended above the worst. Bass eased a penny to 195p, after 193p, while Whitbread reverted to unchanged at 122p, after 120p. Regional issues again encountered small selling and **Vaux** fell 3 to 125p, while **Marston Thompson** declined 4 to 99p. **H. P. Bulmer** gave up 6 at 166p, but isolated firm spots were provided by **Geo. Sandeman**, 3 up at 73p, and **Unis Gordon**, a couple of pence better at 38p. **Youngs** improved slightly to 168p ahead of today's interim statement.

Norwest Holst, up 9 at 100p in response to the after-hours' announcement of a bid approach, provided one of the few bright spots in the Building sector. Leading issues to give ground included **Blue Circle**, 4 cheaper at 224p, and **Taylor Woodrow**, 5 lower at 338p. **Costain Group**, 132p, and the Deferred, 92p, reacted 4 apiece, while **G. H. Downing** closed a similar amount lower at 108p. **Gough Cooper** drifted off to end 3 lower at 72p and **Brown and Jackson** eased 5 to 160p.

ICI touched 323p at one stage, but rallied on a little late support to close 5 lower on balance at 325p. **Allied Colloids** reacted afresh to 130p, down 5, while **Brent Chemical**, 9 cheaper at 205p, failed to benefit from acquisition news.

W. H. Smith lower

Leading Stores contributed to the malaise with falls ranging to 7. *Nervous offerings ahead of today's first-half figures left* **W. H. Smith A** that much lower at 135p, while **Gussies A** declined 6 to 340p and **Mothercare** cheapened 4 to 178p. Up 18 last week on talk that Lonrho may launch a full-scale bid, **House of Fraser** encountered profit-taking, and closed 3 off at 124p. **Burton A** gave up 4 to 226p and **Combined English**, 37p, and **UDS**, 76p, relinquished 3 apiece. Elsewhere, **Martin the Newsagent** came on offer at 230p, down 8, while **Henderson Kenton**, 106p, **Ernest Jones**, 168p, and **A. G. Stanley**, 58p, all closed 4 cheaper. **Cope Sportswear**, on the other hand, were adjusted 4 higher to 45p and **Lee Cooper** regained 5 to 222p in a thin market. A dull Shoes sector had the highly volatile **Stylo** down 10 at 165p and **Hiltons Footwear** 4 lower at 68p.

Press comment on last week's increased bid for EMI prompted dullness in bidder's **Thorn** which gave up 6 to 320p, with **EMI** drifting 3 lower to 137p in sympathy. Other leading Electricals were also trending easier, **GEC** closing above the worst but 3 cheaper at 316p and **Racal** ending 4 lower at 206p. Among secondary issues, **H. Wigfall**, an extremely thin market, reacted 23 to 207, while losses of 10 and 7 respectively were recorded in **Wholesale Fittings**, 420p, and **Ferranti**, 358p. **Electrocomponents** gave up 5 to 393p and **Kode** 4 to 178p. Among the occasional bright spots, **AB Electronic** responded to speculative support with a rise of 7 to 152p, while favourable Press mention lifted **Pifco** 6 to 118p.

The engineering leaders drifted lower on scattered offerings. **GKN** eased 5 to 238p and **Vickers** 3 to 115p, while falls of 2 were marked against **John Brown**, 59p, and **Hawker**, 152p. Secondary issues encountered fresh selective selling. Further consideration of the preliminary results brought a marked turn-round in **Wolseley Hughes** which fell 18 *to* 244p, while *revived* offerings left **B. Elliott** 6 cheaper at 186p and **ML Holdings** 5 off at 173p. **Bullough** weakened 7 to 173p in a restricted market and **Carlco** fell 9 to 103p. **Martonair**, 160p, and **Matthew Hall**, 150p, reacted 4 apiece. Against the trend, **Acrow "A"** met fresh demand and improved 3½ more to 46p.

Leading Foods ended with modest falls after a subdued business. **Rowntree Mackintosh**, at 160p, lost Friday's gain of 2 which stemmed from a Dutch *acquisition*, while **Tesco** shed 1½ to 59½p and **J. Sainsbury** eased 4 to 263p. In secondary issues, **Bernard Matthews** again lacked support and closed 11 lower at 249p, while **George Bassett** were also friendless, falling 6 to 84p. **Sidney C. Banks**, 98p, and **Kwik-Save**, 100p lost 3 apiece, but **Amos Hinton** firmed 4 to 72p awaiting Thursday's mid-term results.

Ladbroke turned dull, closing 9 down at 153p, while fellow *gambling concern* **Coral Leisure** slipped 2 to 81p. **Warner Holidays** held at 45p despite the interim profits standstill.

Misc. leaders dull

Fresh concern about higher interest rates took a further hold on the miscellaneous industrial leaders which fell away on renewed selling and lack of support. **Glaxo** drifted down 7 to 393p, **Bowater** gave up 5 to 152p and **Beecham** relinquished 4 to 123p. Ahead of their interim statements, due tomorrow and Thursday, respectively, **Unilever** eased 2 to 458p and **Boots** gave up 3 to 154p. Elsewhere, **Gieves** lost 4 more to 85p on further *consideration of the disappointing* interim results and **Chubb** softened 3 to 92p ahead of tomorrow's mid-term results. Acquisition news failed to inspire **Foseco Minsep** which declined 5 to 144p and **Sothebys**, at 342p, lost 8 of last Friday's rise of 25. **Marshall's Universal** receded 8 to 132p and **Reed Executive** lost 7 to 65p, while **Henry Boot**, a firm market of late following favourable first-half results, dipped 5 to 115p. Against the dull trend, **Stocklake** moved up 4 to 104p on Rhodesian settlement hopes and **De La Rue** were *marked up 5 to 485p in anticipation* of today's interim figures.

Among Television, **Ulster** fell back 3 to 73p on further consideration of the lower preliminary profits, while **LWT A** eased a penny further to 129p in front of Thursday's annual results. **Trident** gave up 2½ to 50p.

Motor Components began the second leg of the Account in dull mood, **Dowty**, 257p, and **Lucas**, 202p giving up most of last Friday's rises. **Herman Smith**, on the other hand, jumped 4 to 14p on consideration of the record profits and resumed dividend. Distributors retained a mixed appearance. **Glanfield Lawrence**, 62p, and **Hanger**, 55p, gaining 4 and 3 respectively, but **Henlys**, 107p, dipping a couple of pence with **Kennings**, 67p. **Western Motor** shed 5 to 105p following the reduced interim profits and forecasts of a second-half deficit.

Fears of higher interest rates continued to grip Properties. Renewed selling in an unwilling market resulted in fresh falls amounting to double-figures in places. **Land Securities**, which announce interim results on Thursday, fell 10 to 349p, while **MEPC** shed 6 to 141p and **British Land** relinquished 4 to 54p. **Stock Conversion** lost 6 to 334p and **Haslemere** dipped 5 to 250p. Falls of between 10 and 30 were recorded in **Chesterfield**, 225p, **Hammerson A**, 730p, and **Imry**, 480p, while **Fairview** cheapened 5 to 188p as did **United Real**, to 370p. **Daejan** closed 4 lower at 98p and **Great Portland Estates** receded a like amount to 172p. Currently in receipt of a 630p per share bid from Eagle Star, **Bernard Sunley** moved up 5 to 390p.

Although the recent sharp setback in markets had scaled down expectations for the Government sale of 80m BP shares, yesterday's start of dealings was disappointing; from an opening of 156p, new shares eased to 150p before moving ahead to close at 154p for a premium of 4 on the issue price of 363p, 150p paid. **BP** old closed 6 lower at 358p. Elsewhere, **Shell** drifted off to 322p before settling at 324p, down 8 on balance. Late speculative demand left merger partners **Oil Exploration** up 20 at 618p and **Lasmo** 18 to the good at 336p. **Tricentrol** touched 228p at one *stage*, but *recovered smartly to* close only 6 down on balance at 234p.

Trusts tended easier, but losses were usually limited to a few pence or so.

Lack of support and occasional *selling left its mark on the Shipping* sector, **Furness Withy** easing 4 to 222p and **P. & O.** Deferred 2 to 102p.

Textiles declined on a general mark down under the lead of **Courtaulds**, 3 off at 79p. **S. Lyles** 58p, and **Reliance Knitwear**, 36p, both shed 4, while **Carpets International** dipped 3 to 38p. **John Beales** gave up 4 to 36p in front of Thursday's half-timer, while **Sirdar** were again sold and closed a like amount weaker at 98p.

Friday's support for **Bats** fell away and that day's gains were reversed with the Deferred losing 5 to 230p.

Golds firmer

A firmer trend in the bullion price—finally $3 up at $393.50 an ounce—helped South African Golds recoup some of the losses sustained last *Thursday and Friday.*

Johannesburg buying saw Golds edge higher in the morning but interest *petered out later* in the day and prices slipped back to close only a shade better on balance. The Gold Mines index registered a gain of 2.2 at 212.8.

In the heavyweights, rises rarely exceeded ½ but medium and lower-priced *issues* encountered a good demand which left **Southvaal** 51 higher at 839p, **East Driefontein** 15 better at 779p, **Grootvlei** a like amount to the good at 259p and **Leslie** 5 up at 86p.

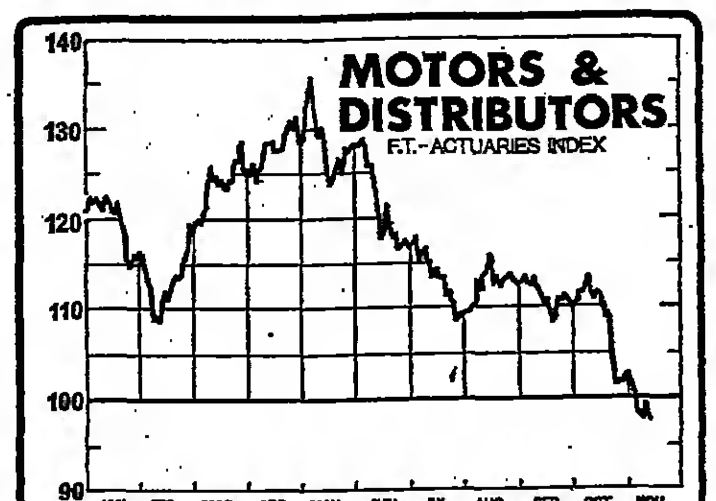
Lack of interest depressed South African Financials where **Gold Fields of South Africa** dipped ½ to £22 and **Anglo American Corporation** lost 6 to 414p.

London Financials were affected by the continuing weakness of the UK equity market. **Gold Fields** encountered profit-taking and fell 8 to 314p, while losses of 4 were common to **Charter Consolidated**, 148p, and **Rio Tinto-Zinc**, 268p. **Selection Trust** gave up 5 to 485p.

Australians generally gave ground in line with the trend in overnight Sydney and Melbourne markets. Further consideration of CRA's withdrawal of the bid for **BH South** and the accompanying deals with **North Broken Hill** and **Western Mining** left **CRA** 8 cheaper at 184p, **Western Mining** a similar amount lower at 172p, **BH South** 7 off at 194p and **North Broken Hill** 5 easier at 150p.

On the other hand, the **Rundle** oil-shale partners attracted renewed support which produced a rise of ¼ in **Central Pacific Minerals** to a 1979 high of £13¾, and a gain of 55 in **Southern Pacific Petroleum**, 520p, after a high of 525p.

With the exception CRA, the **Ashton** joint venturers moved ahead on speculative buying. **Ashton Mining** put on 4 to 88p, after 90p, and **Northern Mining** hardened a penny to 73p. **Cons. Gold Fields Australia** were marked up 10 to 340p following the proposed sale of the company's holding in **Bellambi** to Shell.



FINANCIAL TIMES STOCK INDICES

	Nov. 12	Nov. 9	Nov. 8	Nov. 7	Nov. 6	Nov. 5	A year ago
Government Secs.	65.33	65.46	66.10	66.60	66.44	66.17	67.96
Fixed Interest	66.15	66.40	66.78	67.48	68.74	68.92	69.30
Industrial	413.0	420.9	412.2	418.1	412.5	421.0	474.5
Gold Mines	212.8	210.6	212.2	219.3	210.1	200.1	158.1
Ord. Div. Yield	8.05	7.90	8.06	7.96	7.93	7.92	5.71
Earnings, Yld. % (full)	19.40	19.06	19.44	19.19	19.17	19.09	15.97
P/E Ratio (net) (*)	6.35	6.46	6.33	6.43	6.46	6.48	8.12
Total bargains	17,485	19,392	17,811	16,481	19,546	19,289	—
Equity turnover £m	—	75.97	86.63	113.15	103.89	99.54	55.78
Equity bargains total	—	18,118	12,048	13,267	15,046	18,400	13,373

10 am 417.2. 11 am 412.6. Noon 412.9. 1 pm 412.3. 2 pm 412.4. 3 pm 412.4.
Latest Index 01-246 8026.
*Nil=8.96.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1979 High	1979 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	75.91 (4/5)	64.84 (8/2)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	77.75 (5/6)	66.05 (12/11)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	558.6 (4/5)	419.3 (8/11)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	200.0 (2/10)	129.9 (7/6)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTIVITY

	Nov. 12	Nov. 9
—Daily		
Gilt Edged	147.5	104.6
Industries	132.5	130.7
Speculative	49.5	49.1
Totals	93.8	84.2
5-day Av'ge		
Gilt Edged	136.1	133.4
Industries	142.3	147.0
Speculative	42.4	44.1
Totals	95.4	96.8

NEW HIGHS AND LOWS FOR 1979

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1979.

NEW HIGHS (9)
COMMONWEALTH & AFRICAN LOANS (2)
S. Rhod. 2½pc 1965-70 S. Rhod. 6pc 78-81
FOREIGN BONDS (1)
Chinese 4½pc 1898
INSURANCE (1)
Trade Indemnity
OILS (3)
Weeks Petroleum LASMO
Dol Pfd. Ord.
MINES (2)
Central Pacific Southern Pacific

NEW LOWS (289)
BRITISH FUNDS (27)
CORPORATION LOANS (11)
LOANS (3)
AMERICANS (3)
CANADIANS (1)
BANKS (7)
BEERS (1)
BUILDINGS (14)
CHEMICALS (8)
DRAPERY & STORES (11)
ELECTRICALS (5)
ENGINEERING (30)
FOODS (5)
HOTELS (1)
INDUSTRIALS (45)
INSURANCE (2)
LEISURE (5)
MOTORS (6)
NEWSPAPERS (2)
PAPER & PRINTING (3)
PROPERTY (8)
SHOES (3)
TEXTILES (10)
TOBACCOS (1)
TRUSTS (77)
OVERSEAS TRADERS (1)
RUBBERS (1)
TEAS (3)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	—	58	27
Corpns., Dom. and Foreign Bonds	7	7	7
Industrials	88	527	768
Financial and Prop.	41	241	219
Oils	4	19	17
Plantations	—	—	17
Mines	47	41	59
Others	53	48	66
Totals	238	983	1,200

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., Nov. 12, 1979 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri., Nov. 9 Index No.	Thur., Nov. 8 Index No.	Wed., Nov. 7 Index No.	Tues., Nov. 6 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (173)	205.68	-1.2	20.85	7.23	6.10	208.12	206.30	207.60	210.16	227.96
2 Building Materials (27)	196.72	-0.9	20.42	7.11	6.32	198.59	197.58	200.87	203.70	197.67
3 Contracting, Construction (29)	322.84	-1.3	28.56	7.36	4.34	327.06	320.75	321.58	336.76	360.20
4 Electricals (15)	524.59	-0.9	15.45	4.43	8.66	529.38	522.10	523.09	525.25	532.95
5 Engineering Contractors (12)	282.10	-1.6	25.39	8.68	4.91	286.77	283.93	287.03	296.13	361.21
6 Mechanical Engineering (74)	141.18	-1.1	23.27	8.89	5.38	142.81	141.21	142.09	143.55	177.88
8 Metals and Metal Forming (16)	139.05	-2.1	23.06	10.84	5.30	141.97	141.06	141.44	144.21	161.74
CONSUMER GOODS										
11 (DURABLE) (52)	194.98	-1.5	18.95	6.06	6.55	197.98	193.51	197.61	201.68	198.87
12 Lt. Electronics, Radio, TV (15)	271.79	-1.4	14.90	4.63	8.60	275.69	272.03	274.21	281.82	245.76
13 Household Goods (14)	118.39	-1.6	25.36	9.02	4.81	120.33	120.56	120.62	125.32	169.45
14 Motors and Distributors (23)	97.67	-1.7	26.89	8.69	4.45	99.39	97.67	98.23	99.87	117.86
CONSUMER GOODS										
21 (NON-DURABLE) (170)	205.23	-1.4	19.24	7.04	6.46	208.12	205.84	207.20	209.82	203.13
22 Breweries (14)	252.90	-0.8	17.85	6.13	6.68	254.46	251.75	252.14	253.53	223.36
23 Wines and Spirits (6)	300.15	-0.6	18.51	6.11	6.68	302.09	299.04	302.96	306.38	274.70
24 Entertainment, Catering (17)	280.04	-1.5	17.72	6.69	7.36	284.27	280.37	284.00	284.98	253.74
25 Food Manufacturing (18)	185.05	-0.9	21.43	7.34	5.79	186.70	184.97	185.87	188.86	200.70
26 Food Retailing (15)	264.33	-1.5	16.53	4.98	7.95	268.52	264.13	266.17	270.24	220.37
32 Newspapers, Publishing (12)	366.27	-0.3	25.92	7.95	5.33	367.46	362.62	371.46	369.64	359.64
33 Packaging and Paper (15)	114.99	-1.6	25.68	10.12	5.02	116.90	116.51	117.86	116.74	138.91
34 Stores (41)	198.47	-1.7	15.02	5.53	8.76	201.83	199.79	201.91	204.19	191.18
35 Textiles (23)	131.18	-2.0	28.12	12.24	4.30	133.86	132.64	134.69	137.55	173.23
36 Tobaccos (3)	209.80	-1.9	27.17	10.60	4.16	213.84	209.39	208.49	210.66	227.21
37 Toys and Games (6)	53.04	-2.5	30.62	13.50	4.18	54.38	54.04	53.13	53.67	94.25
41 OTHER GROUPS (98)	178.27	-1.5	17.68	7.39	6.92	181.03	178.73	181.52	183.70	193.48
42 Chemicals (18)	258.42	-1.4	19.52	7.46	6.49	262.12	257.46	261.65	264.86	271.78
43 Pharmaceutical Products (7)	195.19	-2.4	13.39	6.25	9.06	200.01	196.09	198.67	197.88	245.49
44 Office Equipment (6)	102.66	-2.1	19.44	8.21	6.42	104.86	103.20	103.45	105.24	125.51
45 Shipping (10)	404.04	-1.2	13.13	7.82	9.72	408.98	408.15	410.65	416.31	480.42
46 Miscellaneous (57)	205.92	-1.3	18.85	7.53	6.77	208.71	208.17	211.30	215.86	206.34
49 INDUSTRIAL GROUP (493)	204.41	-1.4	19.25	7.10	6.47	207.26	204.98	206.84	209.17	213.24
51 Oils (7)	703.64	-1.9	16.07	6.84	6.72	717.30	702.60	707.05	713.63	512.41
59 500 SHARE INDEX	243.79	-1.5	18.57	7.04	6.63	247.47	244.25	246.32	248.99	237.94
61 FINANCIAL GROUP (117)	166.40	-1.6	—	6.55	—	169.14	166.83	167.05	169.54	166.66
62 Banks (6)	203.59	-1.5	40.39	6.29	3.16	206.76	206.82	198.87	198.01	187.53
63 Discount Houses (10)	207.54	-2.1	—	7.98	—	212.10	214.32	219.03	224.93	199.87
64 Hire Purchase (5)	148.09	-1.7	23.94	5.87	5.29	150.69	149.70	151.80	156.07	138.26
65 Insurance (Life) (10)	135.95	-1.0	—	7.74	—	137.34	134.31	135.61	140.57	128.48
66 Insurance (Composite) (8)	118.97	-1.4	—	8.59	—	120.73	118.37	118.25	120.15	127.10
67 Insurance Brokers (10)	237.26	-0.4	21.02	8.23	6.81	238.26	237.94	239.42	249.54	314.24
68 Merchant Banks (14)	87.41	-0.3	—	6.70	—	87.78	87.54	88.01	89.32	91.12
69 Property (44)	295.41	-2.9	4.13	3.32	35.23	304.26	302.97	306.58	312.71	245.05
70 Miscellaneous (10)	112.03	—	16.95	8.02	7.68	112.07	111.21	111.23	112.12	104.74
71 Investment Trusts (109)	178.52	-0.7	—	6.10	—	179.71	180.30	182.21	181.99	200.49
81 Mining Finance (4)	131.73	-1.9	16.89	6.48	7.19	134.25	134.11	133.96	134.84	182.71
91 Overseas Traders (20)	310.26	-0.8	15.82	8.75	7.87	312.46	310.91	312.23	312.12	384.85
99 ALL-SHARE INDEX (750)	222.14	-1.5	—	6.96	—	225.47	222.79	224.60	227.09	217.25

FIXED INTEREST PRICE INDICES

British Government	Mon., Nov. 12	Day's change %	xd adj. today	xd adj. 1979 to date
1 Under 5 years	100.65	+0.01	0.87	8.32
2 5-15 years	104.93	-0.25	—	9.35
3 Over 15 years	108.88	-0.47	—	12.28
4 Irredeemables	114.57	—	—	[illegible]
5 All stocks	104.38	-0.23	0.03	10.04

FIXED INTEREST YIELDS

British Govt. Av. Gross Red.		Mon. Nov. 12	Fri. Nov. 9	Year ago (approx.)
1 Low Coupons	5 years	12.17	12.12	9.64
2	15 years	12.46	12.41	11.59
3	25 years	12.74	12.69	12.25
4 Medium Coupons	5 years	14.30	14.28	12.14
5	15 years	14.16	14.10	12.74
6	25 years	14.03	13.93	12.74
7 High Coupons	5 years	14.79	14.76	12.86
8	15 years	14.62	14.55	13.27
9	25 years	14.29	14.22	12.90
10 Irredeemables		12.50	12.49	12.16

	Mon., Nov. 12 Index No.	Yield %	Friday Nov. 9	Thurs. Nov. 8	Wed. Nov. 7	Tues. Nov. 6	Mon. Nov. 5	Friday Nov. 2	Thurs. Nov. 1	Year ago (approx.)
15 20-yr. Red. Deb & Loans (15)	62.87	14.16	62.50	62.96	64.56	64.88	64.99	65.07	65.86	66.07
16 Investment Trust Prefs. (15)	46.57	14.68	46.57	46.15	46.41	46.41	46.41	46.41	46.41	51.43
17 Coml. and Indl. Prefs. (20)	61.86	14.46	62.08	62.36	62.72	62.95	62.93	63.15	62.90	71.60

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 14p, by post 22p.

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1979 high	1979 low
Shell Transport...	25p	10	324	-8	402	278
BP 'New'	25p	9	154	—	156	150
ICI	£1	8	325	-5	415	314
Burmah Oil	£1	7	166	-4	197	82
GEC	25p	7	316	-3	456	311
NatWest Bank	£1	7	314	-6	405	275
Reed Intl.	£1	7	188	-1	199	149
Ultramar	25p	7	354	-6	396	197
BATs Defd.	25p	6	230	-5	337	227
BTR	25p	6	275	-1	347	219
Boots	25p	6	154	-3	238	153
Coral Leisure	10p	6	81	-2	133	81
EMI	50p	6	137	-3	147	81
GUS A	25p	6	340	-6	448	285
Lloyds Bank	£1	6	284	-4	360	268

OPTIONS

DEALING DATES First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Nov. 12	Nov. 23	Feb. 21	Mar. 3
Nov. 26	Dec. 7	Mar. 6	Mar. 17
Dec. 17	Dec. 28	Mar. 20	Mar. 31

For rate indications see end of Share Information Service.

Money was given for the call in BP and the "new," EMI, Pullman Inds., Queen's Moat Houses, Ladbroke Warrants, Bemrose, Britannia Arrow, Town and City, Premier Oil, Paringa, Poseidon, Charterhall, Sound Diffusion, British Land, Marshall's Universal, Fitch Lovell, Sirdar, Weeks Petroleum and Land Securities. Puts were done in BP "new," GEC, Cons. Gold Fields, Ultramar, ICI and Hawker Siddeley, while double options were arranged in BP "new," House of Fraser, British Land and Burton Warrants.

LONDON TRADED OPTIONS

Option	Ex'rcise price	January Closing offer	January Vol.	April Closing offer	April Vol.	July Closing offer	July Vol.	Equity close
BP	300	67	—	73	7	—	—	357p
BP	325	46	10	54	—	—	—	[illegible]
[illegible]								

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Gilt Int. Tst.	99.4	105.2	-0.6	3.35
Abbey Capital	32.2	34.4	-0.4	5.92
Abbey Income	38.2	40.9	-0.2	9.03
Abbey Inv. Tst. Fund	30.9	33.1	-0.1	6.50
Abbey Gen. Trust	47.9	45.9	-0.4	5.89
Equitas Prog. Trust	64.1	67.6	-0.4	5.50

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt & Pref	93.5	98.5	.....	12.20

Allied Hambro Group (a)(g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	66.4	71.4	-0.3	6.76
Brit. Inds. Fund	64.1	68.6	-0.5	5.92
Growth & Income	37.0	39.6	-0.4	6.06
Elect. & Ind. Dev.	33.2	35.5	-0.4	5.92
Allied Capital	66.7	71.4	-0.7	5.74
Hambro Fund	106.2	113.6	-1.1	6.47
Hambro Acc. Fund	126.9	135.8	-1.1	5.93
Income Funds				
High Yield Fd.	66.5	71.1	-0.4	9.85
High Income	62.1	66.4	-0.5	8.58
A. H. Eq. Inc.	37.2	39.8	-0.3	8.67
International Funds				
International	25.0	26.8	+0.2	3.00
Pacific Fund	37.1	39.7	+0.3	3.30
Secs. Of America	53.8	57.6	+0.5	2.43
Specialist Funds				
Smaller Co.'s Fd.	43.7	46.8	-0.9	4.81
2nd Smlr. Co's Fd.	52.2	55.9	.....	4.85
Recovery Sits.	103.0	110.2	-0.7	6.58
Met. Min. & C'dty.	45.6	48.8	-0.2	5.35
Overseas Earnings	52.8	56.3	-0.4	5.84
Exempt Funds				
4 Far East Exempt	44.8	46.6	+0.4	3.90
Smaller Co. Exempt	66.6	69.9	-0.4	5.25
U.S.A. Exempt	92.9	96.6	+0.8	3.62

Anderson Unit Trust Managers Ltd.
158, Fenchurch St., EC3M 6AA. 623 9231

Anderson U.T.	52.5	6.7	.....	5.90

Ansbacher Unit Mgmt. Co. Ltd.
1, Noble St., EC2V 7JA. 01-623 6376

Inc. Monthly Fund	153.0	163.0	.....	11.88

Arbuthnot Securities Ltd. (a)(c)
37, Queen St., London, EC4R 1BY. 01-236 5281

High Yield	42.1	45.4	.....	11.47
(Accum. Units)	66.0	71.2	.....	11.47
Extra Income Fd.	87.2	94.1	-0.1	11.81
(Accum. Units)	94.5	102.0	-0.1	11.81
High Inc. Fund	34.5	37.2	-0.1	10.08
♦(Accum. Units)	51.6	55.7	-0.2	10.08
(8½% W'drwl. Uts.)	45.5	49.1	-0.2	10.08
Preference Fund	22.6	24.6	-0.1	13.43
(Accum. Units)	39.2	42.7	-0.1	13.43
Capital Fund†	20.5	22.1	-0.6	—
Commodity Fund	62.7	67.7	.....	4.23
(Accum. Units)	95.0	102.6	.....	4.23
(10% W'drwl. U.)	50.3	54.3	.....	4.23
Fin.&Prop.Fd.*	18.1	19.5	.....	3.71
Giants Fund	34.5	37.2	-0.3	5.06
(Accum. Units)	41.8	45.1	-0.3	5.00
Growth Fund	33.0	35.6	-0.3	4.29
(Accum. Units)	40.8	44.0	-0.3	4.29

Discretionary Unit Fund Managers
22 Blomfield St., EC2M 7AL. 01-638 4485

Dis. Inc. Nov. 2	194.4	207.3	.....	5.47

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.1	19.2	.....	6.04
Gt. Winchester O'seas.	19.1	21.5	.....	2.56

Emson & Dudley Tst. Mngmnt. Ltd.
28b Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	72.7	76.4	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	66.6	70.1	-0.5	5.36

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	24.2	26.2	.....	3.24
Accum. Units	29.4	31.8	.....	3.24
J. Finlay High Income	31.0	33.5	.....	10.00
J. Finlay Euro.Fin.	24.0	25.8	.....	5.47
Accum. Units	29.6	31.9	.....	5.47
J. Finlay Fd.In.Tst.	27.0	29.1	.....	6.35

Prices on Nov. 7. Next dealing Nov. 14.

Prices on Nov. 7. Next dealing Nov. 14.

Framlington Unit Mgt. Ltd. (a)
64, London Wall, EC2M 5NQ. 01-628 5181

American	46.4	49.2	-1.0	1.47
American Turnaround	47.6	50.6	-0.6	2.00
Capital Tst.	47.4	50.4	-0.2	5.37
(Accum. Units)	47.4	50.4	-0.2	5.37
Income Tst.	106.0	112.6	.....	8.50
Int. Growth Fd.	38.4	40.8	+0.2	2.45
(Accum. Units)	40.6	43.0	.....	2.45

Friends' Provdt. Unit Tr. Mgrs.♥
Pixham End, Dorking. 0306 5055

Friends Prov. Units	42.5	45.4	-1.6	5.62
Do. Accum.	58.7	62.7	-2.2	5.62

Funds in Court*
Public Trustee, Kingsway, WC2. 01-405 4300

Capital Nov. 8	100.3	102.3	.....	5.67
Gross Inc. Nov. 8	73.3	75.1	.....	10.4
High Yield Nov. 8	78.4	81.3	.....	10.58

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.♥
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Income	97.0	103.1	.....	4.00
Do. Acc.	120.5	128.1	.....	4.00
G.T. Inc. Fd. Un.	158.5	168.6	.....	9.60
G.T. U.S. & Gen	130.8	139.1	.....	3.00
GT Wld. Bd. Fd.	—	—	.....	—
G.T. Japan & Gen	72.2	76.3	.....	2.90
♦GL Pens. Ex. Fd.	208.2	218.5	-4.6	4.5
G.T. Int'l. Fund	147.1	156.4	.....	2.40
G.T. Four Yds. Fd.	48.0	51.0	-3.5	9.00
G.T. Far East & Gen.	47.1	50.6	.....	2.70

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood. (0277) 227300

G. & A.	31.3	33.4	-0.3	5.78

Gartmore Fund Managers♥ (a)(g)
2 St. Mary Axe, EC3A 8BP 01-623 6114
Dealing only: 01-623 5766/5806

American Trust	23.6	25.4	+0.3	2.70
British Tst. (Acc.)	57.6	62.0	-0.6	4.69
Commodity Share	30.2	32.5	+0.1	3.76
Extra Income Tst.	20.6	22.2	-0.2	10.51
Far East Trust	31.8	34.2	.....	3.38
High Income Tst.	53.6	57.7	-0.3	10.24
Income Fund	64.9	75.2	-0.4	8.00
Ins. Agencies	12.98	13.89	-0.10	5.15
Intl. Exempt Fd.	82.4	89.9	-0.6	7.77
Intl. Tst. (Acc.)	29.3	31.6	+0.1	1.61
Special Sits. Tst.	25.0	25.0	.....	4.00

Gibbs (Antony) Unit Tst. Mgs. Ltd. (e)
3 Frederick's Pl., Old Jewry, EC2 01-588 4111

...

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	23.3	25.1	+0.1	1.64
Cres. Internat'l.	55.2	59.4	-0.2	1.00
Cres. High. Dist.	39.8	42.8	-0.4	10.95
Cres. Reserves	38.2	41.1	-0.5	6.39
Cres. Tokyo	18.4	19.9	-0.1	1.00

NOTES

Prices are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

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Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

High	Low	Stock	Price	+ or −	Int.	Red.
103¾	96¾	FFI 13pc 1981	96¼	......	13.39	15.63
108¼	96	Do. 14pc '83	96	......	14.54	15.16
86½	77½	ICFC 5½pc Deb. '80-82	80	−½	6.95	14.72
85	71	Do. 6¼pc Db. '81-84	71xd	−½	8.79	14.57
99	84½	Do. 10½pc Uns. Ln. '86	85	−2½	12.93	15.30
99	84½	Do. 11pc Uns. Ln. '88	85½	−3	13.50	14.50
101½	84	Do. 11¾pc Uns. Ln. '90	87½	−2	14.14	15.00
72½	57	Do. 7¼pc A Deb. '89-92	58½	−2½	13.05	15.07
69	53½	Do. 7¼pc A Db. '91-94	54½	−1	13.58	15.26
81½	64½	Do. 9pc 'A' '91-94	66	−1	13.93	16.00
78½	62½	Do. 8⅞pc Ln. '92-97	63½	......	14.46	15.27
102	88	Do. 12¼pc. Uns. Ln. 1992	88	−1	14.37	14.80

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

High	Low	Stock	Price	+ or −	Div. Net	C'vr	Gr's	P/E
£181½	900	C'hgn. Hbk. Kr100	£101½	......	Q12%	—	10.5	—
41	22	Corinthian 10p	22	......	†1.05	5.9	6.8	2.5
£24¾	£15	Cred. France F75	£18½	......	Q9.87%	—	3.5	—
16	10	Dawes (G. R.)	11	......	—	—	—	—
*£119½	£62½	Deutsche Bank DM50	£67½	......	Q28.12%	—	5.4	—
90	58	F. C. Finance	60	......	2.2	4.9	5.2	5.5
8¼	5¼	First Nat. 10p	6¼	−¼	—	—	—	0.5
4	2	Do. Wrrts. 75-83	2½	......	—	—	—	—
266	178	Gerrard Natnl.	204	−4	†9.12	—	6.4	—
62	39	Gibbs (A.)	43	......	2.2	—	7.3	—
270	203	Gillett Bros. £1	203	−2	†16.95	—	11.9	—

BANKS & HP—Continued

Hire Purchase, etc.

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INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Continued

MINES—Continued

CENTRAL AFRICAN

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's.
420	132	Falcon Rh.50c	400	......	Q100c	ϕ	17.2
36	11	Rhod'n Corp. 16½p.	33	−1	0.56	6.5	2.4
165	70	Roan Cons. K4	122	+5	Q0.125	ϕ	6.2
67	26	Wankie Col. Rh.1	62	−1	Q9c	ϕ	10.6
19	9	Zam.Cpr.$BD0.24	13	+½	—	—	—

AUSTRALIAN

1979 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's.
14	9	Acmex	13	......	—	—	—
16	4	ACM 20c	11	......	—	—	—
82	50	Bond Corp.	65	......	Q3.75	ϕ	3.0
171	100	Bougainville 50 Toea	113	−5	†Q15c	1.0	7.0
212	84	BH South 50c	194	−7	ϕ—	—	—
£13⅛	340	Central Pacific	£13⅛	+¼	—	—	—
318	170	Conzinc Riotinto 50c.	184	−8	NQ10c	2.0	2.8
36	15	Cultus Pacific N.L.	18	......	—	—	—
32	5	Eagle Corp. 10c.	26	......	—	—	—
21½	11	Endeavour 20c	17½	......	—	—	—
165	62	G. M. Kalgoorlie 25c	142	+2	Q3c	ϕ	1.1
305	140	Hampton Areas 5p.	245	......	3.5	2.8	2.0
75	25	Haoma Gold N.L.	30	......	—	—	—
71½	25	Metals Ex. 50c	43	−1	—	—	—

TINS

COPPER

MISCELLANEOUS

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc.

OILS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

CENTRAL RAND

EASTERN RAND

FAR WEST RAND

O.F.S.

FINANCE

DIAMOND AND PLATINUM

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distributions and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✠ Regional price.
- ǁ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Stock	Price	+ or −	IRISH	Price	+ or −
Albany Inv. 20p	27	......			
Bertam	16	......			
Bdg'wtr. Est. 50p	380	−5	Conv. 9% '80/82	£85⅝	......
Clover Croft	30	......	Nat. 9¾% 84/89	£73½	−1¼
Craig & Rose £1	£10½	......	Fin. 13% 97/02	£81	−2¼
Dyson (R.A.) A	23	......	Alliance Gas	63	......
File Forge	48	......	Arnott	370	......
Finlay Pkg. 5p	19	......	Carroll (P.J.)	55	......
Graig Ship. £1	650xd	......	Clondalkin	82	......
Higsons Brew	65	......	Concrete Prods.	82	......
Holt (Jos) 25p	255	......	Heiton (Hldgs.)	35	......
I.O.M. Stm. £1	153	−2	Ins. Corp.	190	......
Pearce (C. H.)	410	......	Irish Ropes	70	......
Peel Mills	29	−1	Jacob	32	......
Sheff. Refrshmt.	100	......	T.M.G.	149	−1
Sindall (Wm.)	170	......	Unidare	85	......

OPTIONS

3-month Call Rates

Industrials					
A. Brew	8	I.C.I.	20	Tube Invest.	27
BOC Intl.	6	"Imps"	8	Unilever	40
B.S.R.	5	I.C.L.	45	U.D.T.	4
Babcock	12	Inveresk	5	Utd. Drapery	10
Barclays Bank	30	KCA	3½	Vickers	18
Beecham	13	Ladbroke	17	Woolworths	6½
Blue Circle	25	Legal & Gen.	14	**Property**	
Boots	17	Lex Service	11	Brit. Land	7
Bowaters	16	Lloyds Bank	24	Cap. Counties	9
B.A.T.	25	"Lofs"	3½	Land Secs.	25
Brown (J.)	7½	London Brick	6	MEPC	17
Burton 'A'	25	Lonrho	6	Peachey	13
Cadburys	5½	Lucas Inds.	20	Samuel Props.	14
Courtaulds	8	"Mams"	15	Town & City	2
Debenhams	8	Mrks. & Spncr.	10	**Oils**	
Distillers	21	Midland Bank	30	Brit. Petroleum	35
Dunlop	6	N.E.I.	5	Burmah Oil	15
Eagle Star	14	Nat. West. Bank.	28	Charterhall	5
E.M.I.	12	P & O Dfd.	10	Premier	4
Gen. Accident	21	Plessey	10	Shell	30
Gen. Electric	35	Racal Elect	22	Ultramar	22
Glaxo	40	R.H.M.	4½	**Mines**	
Grand Met.	13	Rank Org.	18	Charter Cons.	16
G.U.S. 'A'	30	Reed Intnl.	17	Cons. Gold	18
Guardian	23	Sears	5½	Rio T. Zinc	27
G.K.N.	22	Spillers	4½		
Hawker Sidd.	16	Tesco	7		
House of Fraser	14	Thorn	35		
		Trust Houses	14		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES

Tuesday November 13 1979

Way open for sale of Shotton and Corby

By Our Industrial and Labour Staff

THE GOVERNMENT gave an assurance yesterday that it would not stand in the way of the sale to the private sector of British Steel Corporation's Shotton and Corby works if a worthwhile private proposal were put forward.

A tentative interest in Shotton, North Wales, was revealed yesterday by Mr. Stephen Gray, who before nationalisation, was director of John Summers and Sons, Shotton's owner. He was sacked by Sir Monty Finniston, BSC's former managing director, in 1972, because he disagreed with the corporation's investment strategy.

Mr. Gray said he was in close touch with merchant banks who would be willing to look at financing the replacement of Shotton's ageing open hearth furnaces with two electric arc units to produce three quarters of a million tonnes of steel a year, if the Government was prepared to divest BSC of the works.

Mr. Adam Butler, Industry Minister, said in the Commons yesterday that he had noted with "considerable interest" suggestions that BSC should consider disposing of Shotton and Corby.

"The Government has made it absolutely clear in regard to Shotton and Corby that, if there is a worthwhile private proposal put forward which will not use public funds, we will not stand in the way."

Permission to make such a sale, however, would be dependent on BSC's agreement. In the light of the severe overcapacity in the steel market, it would seem unlikely that such permission would be given.

But BSC's severe financial problems could conceivably make an attractive offer outweigh other considerations.

BSC said: "If iron and steelmaking facilities were sold off, then not only would their load not be placed on to larger and more economically attractive new plants, such as Redcar and Ravenscraig, but the market share of British Steel would be cut by the same volume."

Another hurdle to such a sale could be raised by the European Commission, which is committed to a reduction in steel capacity.

BSC said that no offers to purchase any of its iron and steel making assets had been received.

Mr. Gray said he was thinking of a BP-type solution. The Government would continue to hold 51 per cent of the share capital and private backers the rest. Such a scheme, however, would seem to be ruled out immediately by the Government's stipulation that no public money be involved.

Blast furnace workers' union leaders at the Shotton works said they fully supported British Steel's decision to end steelmaking at the plant.

Some payments at Shotton are thought likely to top the £20,000 mark.

The statement is in line with the stance adopted by blastfurnacemen over other recent steel closures, when they took the offered redundancy payments first and made further union opposition much more difficult.

The shut-down is due to begin at Christmas and to be completed by March, in order to meet the Government's demand on the Corporation to break even financially by that date.

Local officials agreed to meet again next Monday when the final decision on whether to fight on, or accept the closure and negotiate redundancy terms, will be taken.

Meanwhile, all the unions will be consulting their membership. A mass meeting of Shotton's craftsmen is due to be held on Thursday.

Reduction plants may open, Page 11
Parliament, Page 12

Continued from Page 1

Output

was 9.7 per cent down on a three-month comparison, and metal manufacturing 5.4 per cent.

INDUSTRIAL PRODUCTION
(1975=100, seasonally adjusted)

		All Industries	Manufacturing
1978	1st	106.8	102.1
	2nd	110.6	104.4
	3rd	111.3	104.7
	4th	110.3	103.1
1979	1st	109.5	101.8
	2nd	115.8	108.0
	3rd	112.6	102.8
	April	114.2	106.7
	May	115.4	107.1
	June	117.9	110.3
	July	116.4	107.9
	Aug.	111.6	101.4
	Sept.	110.0	99.0

Source: Central Statistical Office.

Saudis may raise oil prices to close ranks

BY RAY DAFTER, ENERGY EDITOR

SAUDI ARABIA, the world's main oil exporter, may soon bring its prices more into line with those of other crude oil producers.

It is felt within the industry that the kingdom is becoming disillusioned with the results of its moderate oil pricing policy which was largely aimed at maintaining some measure of international economic order.

The official price for Arabian light oil—the grade traditionally used as a reference for price fixing in the Organisation of Petroleum Exporting Countries—is still $18 a barrel, some $5.50 cheaper than the contract price for Iranian light oil, a crude of similar quality. And large volumes of light crude oil—much of it from Iran—have been sold on the spot market for $40 to $45 a barrel.

The Saudis may decide to impose their own price increase before the next OPEC ministerial conference in Caracas, Venezuela, beginning on December 17. Saudi Arabia may feel that such a move would go some way towards rationalising the oil pricing structure and towards restoring the solidarity of the organisation.

"The authoritative Middle East Economic Survey, forecasting an early Saudi price rise, reported that the Saudi's disillusionment stemmed in part from the large third quarter profits registered by oil companies. It was felt that the benefits of lower Saudi prices had gone to the companies rather than the consumers. Companies believed to have benefited most were those within the Arabian American Oil Company (Aramco), which handles and markets Saudi crude: Exxon, Texaco, Standard Oil of California and Mobil.

Saudi officials are also losing patience with what they see as the slowness of big western oil consumers—the U.S. in particular—in promoting energy conservation and working for the establishment of a new economic order.

Mr. Mohammad Abalkhail, the Saudi Minister of Finance and National Economy, writes in the latest issue of International Affairs, the quarterly journal of the Royal Institute of International Affairs: "What is needed is a major new thrust towards a co-ordinated approach to world development. The issue of oil is one of a complex of issues that now divide the industrial and developing countries."

Despite "exaggerated reactions" to recent oil price rises, the effect on world growth and inflation rates had been "quite small"—less than 1 per cent on growth and somewhat more on inflation. "Although the indirect effects may be considerable, the recent oil price increase should not pose an insurmountable obstacle to the control of inflation and the maintenance of the world economy."

But he warned that production increases by the oil-exporting countries to stabilise prices would merely postpone the basic correction.

Some of these issues are to be reviewed by the oil ministers of Saudi Arabia, Iran, Iraq, Venezuela, Kuwait and Algeria, when they meet in Saudi Arabia next month to consider a report on OPEC's long-term strategy. The strategy committee was set up in Taif, Saudi Arabia, in May last year to examine OPEC's policy options for the 1980s in key areas: prices, supply and demand and relations with the industrialised and developing consumer countries.

Iran's new Foreign Minister, Mr. Abolhasan Bani-Sadr has said that Iran should raise its oil prices before the OPEC meeting in Caracas next month. "I believe the West does not give us even 5 per cent of the value created by oil in the Western economy, so $23.50 per barrel (the current price of Iranian crude) is really nothing in this respect."

He told An-Nahar Report and Record, a Lebanese weekly news digest, he also favoured selling a larger proportion of Iranian crude on the spot market.

Tokyo may enter Saudi chemical plant deal, Page 6

Union plan for £½m anti-cuts campaign

By Philip Bassett, Labour Staff

BRITAIN'S LARGEST civil service union, the Civil and Public Services Association, is preparing for a long campaign against the Government's public expenditure curbs with a ballot of its members on whether to inject £500,000 into the union's fighting fund to support any industrial action.

The strength of the union's determination to resist the curbs can be gauged by the fact that the £500,000 from one union compared with the £1m fighting fund set up before last winter by all nine civil service unions to oppose the Labour Government's then 5 per cent pay limit.

The ballot of the 224,000 CPSA members on whether to switch the money from the union's general to its fighting fund closes on Friday, with the result expected later this month.

Though the method of voting—members are sending individual ballot forms direct to the union's chartered accountants—precludes union officials from estimating how the vote has gone, members have been firm in their support this year for the executive's programme of industrial action.

The ballot is on top of an earlier call by the union for voluntary donations in addition to normal subscriptions to build up the fighting fund, depleted after three disputes this year.

The fund stood at £1,194,804 at the beginning of the year, but the civil service, Post Office and London magistrates' court disputes since February — which disrupted Government and industrial cash flow, the issue of computer-processed telephone bills and court work—have cost the union £1.6m, of which £1.37m went on strike pay.

Though the fund received more than £300,000 from subscriptions and more than £100,000 in donations during the eight months to the end of August, with a further £200,000 in subscriptions expected by the end of the calendar year, the cost of the disputes leaves only about £300,000 in the fund, or less than £1.50 per member.

Weather

UK TODAY

RAIN spreading from West, becoming windy.

London, S.E. and E. England, E. Anglia

Sunny periods, perhaps rain later. Max. 8 or 9C (46 to 48F).

Cent. S. and S.W. England, Midlands, Channel Isles, Cent. N. England

Bright at first, becoming cloudy with occasional rain. Max. 9 to 11C (48 to 52F).

Wales, I. of Man

Cloudy, sleet or snow on hills, more persistent rain later. Max. 10 or 11C (50 to 52F).

N.W. and N.E. England, Lakes, Borders, Edinburgh, Dundee, Aberdeen, Moray

Becoming cloudy with occasional rain. Max. 7 or 8C (45 or 46F).

S.W. and N.W. Scotland, Glasgow Cent. Highlands, Argyll, N. Ireland

Rain, snow on hills at first. Max. 8 or 9C (46 to 48F).

N.E. Scotland, Orkney, Shetland

Snow on hills, rain, local gales. Max. 7 or 8C (45 or 46F).

Outlook: Wintry showers, rather cold.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	15	58	L. Plms.	F	21	70
Algiers	S	17	63	Lisbon	S	14	57
Amsdm.	R	8	46	Locarno	S	7	45
Athens	C	19	66	London	F	7	45
Bahrain	S	30	86	Luxor	S	31	88
Barcina.	a	14	57	Madrid	S	8	48
Beirut	S	24	75	Majorca	S	17	63
Belfast	S	4	39	Malaga	S	17	63
Belgrd.	C	6	43	Malta	a	17	63
Berlin	S	6	43	Mchstr.	S	4	39
Biarritz	S	15	59	Melbne.	C	17	63
Bmghm.	S	5	41	Mex. C.	C	22	72
Blackp'l	S	5	41	Milan	S	8	48
Bordx.	C	13	55	M'ntreal	C	4	39
Boulgn.	C	8	46	Moscow	R	1	34
Bristol	S	6	43	Munich	S	2	36
Brussels	R	9	48	Nairobi	C	20	68
Budpst.	R	4	39	Naples	C	13	55
B. Aires	a	24	75	Nwcstl.	a	4	39
Cairo	a	26	79	N. York	C	10	50
Cardiff	a	7	45	Nice	S	14	57
Cas'b'ca	F	17	63	Oporto	C	13	55
Cape T.	C	21	70	Oslo	Sn	—1	30
Chicago	C	4	39	Paris	C	11	52
Cologne	C	8	43	Perth	C	21	70
Cphgn.	C	5	41	Prague	S	4	39
Corfu	Th	16	61	Reykjvk.	Sl	2	36
Dublin	S	5	41	Rhodes	Th	17	63
Dbrvnk.	C	12	54	Rio J'o	C	25	77
Ednbgh.	S	3	37	Rome	S	13	55
Faro	a	17	63	Salzb'rg	S	2	36
Florence	S	12	54	Singapr.	C	29	84
Frankf't	Sn	2	36	Stckhm.	C	6	43
Funchal	F	18	66	Strasb'g	C	4	39
Geneva	C	3	37	Sydney	C	27	81
Gibrltr.	F	17	63	Tangier	S	19	66
Glasgow	a	3	37	Tehran	S	14	57
G'nsey	F	8	48	Tel Aviv	S	24	75
Helsinki	R	5	41	Tokyo	C	21	70
H. Kong	S	25	77	Toronto	S	2	36
Innsbr'k	S	2	36	Tunis	F	13	55
Invrnes.	S	4	39	Valencia	S	16	61
I.o.Man	S	8	43	Venice	S	10	50
Istanbul	F	18	64	Vienna	C	3	37
Jersey	F	10	50	Warsaw	Sn	1	34
Jo'burg	C	18	64	Zurich	F	3	37

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. Th—Thunder.

THE LEX COLUMN

No pickings for the BP stags

The gilt-edged market continues to look for an economic recession to cure its monetary woes, and so gained some perverted pleasure from yesterday's industrial production and retail sales figures—respectively dismal and sluggish. But these are only tenuous indicators, and the market will have to flounder around in limbo until Thursday.

Index fell 7.9 to 413.0

BP

The jobbers did not, after all, need North Sea sou'westers to protect them from a hurricane of business in the new partly-paid BP shares. After a rather sedate debut, the newly-issued stock closed at 154p, 4p above the initial subscription price.

At this level it stands 9p above the fully-paid shares, which fell 6p to 358. This premium is justified by savings in dealing charges and on the cost of money between now and the 213p per share call in February. For a gross fund, a premium of 13p would be in order, and if the market turns very bullish of BP something even higher than this might develop, given the gearing of the partly-paid stock.

The modest degree of oversubscription—only 1½ or so times—does at least suggest that the issue has not been heavily stagged, although there may be a certain amount of distress selling if the price falls below 150p. On the other hand, some funds may have received rather more stock than they bargained for, and they at least will not be chasing the price any higher.

In the short term, the persistent weakness of the equity market must pose some threat to the BP share price, which cannot be expected to outperform indefinitely. But there is some feeling that U.S. buying interest might revive as Prudhoe Bay production rises and the next round of Alaska lease sales gets under way.

Drop-lock loans

The so-called "drop-lock floating rate note," a product of the Eurobond market's fertile imagination, has been adapted to raise sterling for UK local authorities. The idea is that a medium-term syndicated loan with interest pegged to short-term rates converts magically into very long-term fixed-rate finance as soon as gilt yields drop to a level which the local authority can live with.

Guinness Mahon discovered an anonymous investing institution willing to provide the long-term money on this basis and has, in the last three months, raised £50m for eight local authorities using the system.

Local authorities must currently fund themselves at an average maturity (in any year) of seven years. Under current conditions this is difficult at floating rates and expensive at fixed ones. The drop lock provides them—at least technically—with 20-24 year funds. Each authority receives a four-year floating rate bank loan with the proviso that if the rate on the highest yielding long-dated gilt falls to ten per cent the loan is cancelled and replaced by a 20-year loan at a rate of 10 per cent plus a suitable margin. If, after four years, the conversion has not been triggered the local authority has the option of taking up the 20-year loan at the same margin over the long gilt rate then prevailing.

The advantage to the borrower is that his refinancing is pre-programmed at no cost. The investing institution has the uncertain prospect of an extra margin of yield when conversion occurs. Guinness Mahon is now trying to employ the idea in the company sector: the problem here is that the lending institution has to take a four-year view of the creditworthiness of a potential long-term borrower.

Investment income

Sir Geoffrey Howe gave a solid hint yesterday that the spring Budget would abolish the investment income surcharge when he talked about the need to sort out the haphazard accumulatio[n] of capital taxes and to remov[e] the bias against private inves[t]ment. Abolition of the surcharg[e] is the logical next step in [the] Government's programme [of] reducing market distortion[s], coming after the abandonme[nt] of exchange and dividend co[n]trols. Sir Geoffrey's warn[ing] that there will be little room [to] cut income tax generally do[es] not reduce the prospects [of] abolition of the surcharge, sin[ce] the revenue involved is prob[ably] no more than £300m.

Abolition would not affect [the] small investor: the raising of [the] surcharge threshold to £5,000 [in] the last Budget means that o[nly] those with portfolios of perha[ps] above £50,000 or so will [now] gain relief. At the margin [it] will persuade some rich indi[vi]duals to switch more of th[eir] capital into the stock mark[et]. Within the market itself [the] abolition of the surcharge [will] shift demand away from [high] yielding instruments. This [only] scratches the surface, howe[ver,] given the size of the discrim[ina]tory reliefs in favour of pens[ion] funds and insurance pl[ans] whose reform does not app[ear] to be on the next Budg[et] agenda.

Retail spending

The income tax rebates which non-food retailers w[ere] pinning their October s[ales] hopes seem to have been so[me]thing of a let-down, judging [by] the modest rise in the pr[ovi]sional index of retail s[ales] volume to 111¼ against 110 [in] September. Although Octo[ber] still showed a rise of some 1[5 per] cent on the same month of la[st year,] volume was less than [the] average for the whole fo[urth] quarter last year. With [the] proviso that the provisi[onal] figures have sometimes b[een] revised quite substantially [in] recent months, it looks [as] though the stagnant trend [in] retail spending in real te[rms] is confirmed.

Shopkeepers are left to [hope] that the busier trend la[te in] the month, when the co[ld] weather brought customers [into] clothing shops, will stick. [They] may also calculate that mon[thly] paid workers benefited [more] than hourly paid, and did [not] receive the extra money [until] right at the end of the mo[nth]. Yet these higher paid ea[rners] are also less likely to rush [out] and spend a lump sum. In [the] stock market, at any rate, [the] stores sector has lost mo[st of] the relative strength it sho[wed] earlier in the year.

Modest retail recovery after tax rebates

BY DAVID CHURCHILL AND PETER RIDDELL

THE £1bn of income tax rebates paid out last month has only produced a modest recovery in the level of spending in the shops, according to new official figures.

A survey of retailers yesterday confirmed there has not been a spending spree over the last few weeks. But most stores report that more recently the cold spell and the start of the pre-Christmas trade have been as important as the tax rebates in boosting demand.

The index of the volume of retail sales was 111.5 (1971=100) in October according to the provisional estimate published yesterday by the Department of Trade. This was about 1.4 per cent higher than in the previous month, and the recovery was concentrated in non-food shops.

However, in spite of this pick-up, October sales were a little below the average for the first 10 months of the year. In the three months to October, the volume of trade was 3½ per cent lower than in the previous three months, which included the high level of spending ahead of the value-added tax increase.

Mr. Richard Weir, director of the Retail Consortium, said yesterday the slight rise in October sales indicated the tax rebates did not reach most people until late in the month. In addition, the relatively mild weather in early October also depressed the seasonal demand for winter clothes.

Mr. Weir said he expected a better retail performance in November and December to leave retail sales some 4 per cent ahead on the year.

Many retailers reported yesterday there had been no widespread surge in sales.

Mr. David Johnson, chief executive of the Rumbelows electrical goods chain, said there had been no sudden jump in the demand for consumer durables. Demand had been picking up following the slump after the Budget, he said, but was not as high as the pre-Budget spending spree.

However some retailers, including Marks and Spencer, Tesco, and Selfridges, reported the recent cold weather had substantially boosted demand for clothes. Marks said the change in the weather plus its current price cutting campaign had been as important as the tax rebates in boosting sales. Tesco also said its non-food sales have benefited from price cuts—financed out of advertising revenue saved during the recent ITV strike—as well as the colder weather.

Mr. Roy Stephens, chief executive of Selfridges, said sales had been helped by the recent schools' half term, plus the return of television advertising, especially for toys.

RETAIL SALES

		Volume 1971=100 (seasonally adjusted)	Value % change compared with year earlier (not seasonally adjusted)
1978	1st	106.4	+13
	2nd	107.9	+15
	3rd	110.7	+14
	4th	111.7	+14
1979	1st	110.3	+13
	2nd	116.7	+17
	3rd	110.1	+13
	July	108.7	+11
	Aug.	111.5	+13
	Sept.	110.0	+14
	Oct.	111.5*	+15*

* provisional estimate.
Source: Department of Trade.

Deadline for Patriotic front

BY BRIDGET BLOOM AND MICHAEL HOLMAN

THE GOVERNMENT has given the Patriotic Front guerrilla alliance 48 hours in which to accept the British plan for an interim administration in Rhodesia or face the breakdown of the Lancaster House conference.

Although no formal ultimatum has been given, Lord Carrington, Foreign Secretary and chairman of the conference, demanded at yesterday's plenary session an answer to Britain's proposal, first tabled last month, "within the next day or two."

In an attempt to put maximum pressure on the Front to accept the plan, British officials are again raising the possibility of a bilateral deal between Britain and Bishop Abel Muzorewa, leader of the Salisbury delegation.

The Bishop accepted Britain's interim plan 10 days ago. He has underlined his impatience with the Front's "delaying tactics" w...

The Front objects chiefly to the subsidiary role and status which, the Front insists, the plan accords to their forces during the transition. Last night, the critical question was whether its objections would prove fundamental or whether they could be resolved within the framework of the British plan.

One indication of compromise is that the Front yesterday asked for a meeting between lawyers of both sides. There was speculation that it would accept the framework of the plan but seek more precise definitions on key issues especially those dealing with the status of the two armies.

If both parties could agree on such a formula the Front might accept the interim plan "subject to satisfactory arrangements being worked out on the ceasefire." This formula would mirror that on the constitution.

Considerable play was being made in Whitehall last night of apparent differences between Mr. Nkomo's Zapu wing of the Front and Mr. Mugabe, leader of Zanu. It was suggested that Mr. Mugabe's party was holding out against acceptance of the plan.

The suggestions were denied by both Zanu and Zapu. But an intense debate is taking place within and between both wings about strategy over the next few days. This could decide the fate of the talks.

John Hunt, Parliamentary correspondent, writes: A Labour amendment to the Southern Rhodesia Bill stipulating that all-party agreement must be reached at Lancaster House before Britain appoints a Governor to Rhodesia was defeated in the Commons last night by a Government majority of 57 (299-242).

Mr. Peter Shore, Shadow Foreign Secretary, said it would be a bad mistake if, as reported, the Government had delivered an ultimatum to the Patriotic Front on the talks.

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S. East co-ops' merger bid fails

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A PROPOSED merger between two of the leading retail co-operative societies in the south-east has fallen through.

It would have created a trading organisation with annual sales of more than £200m.

Fresh talks are to be held about reviving a long-standing plan for a merger of all the retail co-operative societies in South-East England.

The proposed merger was between the Royal Arsenal Co-operative Society—the third largest retail co-op in the UK with annual sales of about £140m—and the South Suburban. Between them, they cover South London, Surrey and parts of Kent.

The two societies had agreed in principle last August to the merger. It was seen as a means of strengthening their trading position in the face of the fiercely competitive grocery retailing sector, especially in the south-east.

However, the Board of South Suburban has decided to pull out of the negotiations. Instead, it wants to start discussions on implementing a merger of all five retail societies in the south-east.

● The CWS's board is to set up a sub-committee of senior members to find a successor to Sir Arthur Sugden, chief executive, who retires next year. The sub-committee is expected to meet in early December.

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